PAPER MONEY IN MARYLAND 1727-1789

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A DISSERTATION

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PREFACE

The study of the paper currency question has been undertaken in order to present to the reader one of the very important phases of early Maryland history. An effort has been made to show the generally sound policy of the assembly with regard to its paper issues, and to assign causes for the success or failure of each as the case may be. Thus, a longitudinal rather than a cross section of Maryland history is given. In order to accomplish this purpose, it has been necessary to go over again the field covered by Dr. Clarence P. Gould in "Money and Transportation in Maryland 1720–1765," published in the Johns Hopkins University Studies in Historical and Political Science, Series 33, and to present many of the same facts from a somewhat different point of view. As to the paper currency of the Revolutionary Period in Maryland, the subject has not hitherto received adequate treatment. The background for this study has been obtained from the very complete work of Newton D. Mereness, "Maryland as a Proprietary Province," and from the general history of Maryland by J. Thomas Scharf.

In the search for manuscript material bearing on the subject, the writer has had the assistance of Mr. Robert F. Hayes, Jr., and Mr. Charles Fickus, of the Maryland Historical Society. Especial thanks are due to Mr. Fickus, whose thorough knowledge of manuscripts relating to Maryland history has been the means of bringing to light much valuable information.

In the actual writing of the study, Professors John H. Latané and John M. Vincent, of the Department of History, and Professor George E. Barnett, of the Department of Political Economy of Johns Hopkins University, have given valuable assistance, offering many suggestions as to the organization of the work.

K. L. B.

PAPER MONEY IN MARYLAND, 1727–1789

CHAPTER I

Economic Conditions in Maryland, 1725

It is the purpose of this study to give a history of Maryland colonial paper currency, and while discussing the policy pursued by the legislature with regard to it, to depict, so far as the records will permit, the effect of that policy upon the prosperity of the people. For a proper understanding of the subject a brief review of the economic situation of the colony at the end of the first quarter of the eighteenth century is necessary at the outset.

At this time Maryland was still, as she had been from the very beginning, an agricultural colony. The inhabitants lived on plantations, rather than in towns, and devoted themselves mainly to the production of tobacco, which was the chief, and indeed almost the only, export of the Province. It had to be sent exclusively in English or colonial ships, and as Maryland had few ocean-going vessels, a small number of merchants of Great Britain had practically a monopoly of the trade. These merchants acted as agents for the planters, sending them in exchange for their tobacco manufactures and goods of all kinds from England.

Foreign trade, therefore, was simply a system of barter, while in the colony itself tobacco became the chief medium of exchange. Official salaries, payments to the clergy, often private obligations and other financial matters were fixed in pounds of tobacco. So long as the trade was profitable this caused comparatively little inconvenience, but with the increase of settlers, the deterioration of the soil, the complications of the European demand, and the lack of proper inspection along with the enormous increase of production, the price of tobacco necessarily fell to a low point, and its depreciation as currency was keenly felt.

Many devices for raising the price were tried from forcible destruction of plants to acts of relief by the legislature. The growth of other products was encouraged, particularly hemp,[1] and the production of iron received special inducements.[2] The London merchants made suggestions for the improvement of the quality and consequently the price of the crop, and further made the obvious observation that the colony must have a more convenient currency than tobacco.[3]

Governor Benedict Leonard Calvert was of the same opinion. In a letter to his brother, the Lord Proprietor, in 1729, he discusses the low state of the tobacco trade and the entire dependence of the Province upon this crop. He explains that for want of a circulating medium the people are obliged to "make tobacco" with which to pay their taxes, and for the same reason the proceeds of the tobacco crop must either be sent to them in the form of merchandise from England or else remain in the hands of the merchants useless to the owners.[4] He favors paper money, which he says has greatly stimulated the domestic industries and increased the foreign trade of New York and Pennsylvania. If it were issued in Maryland the inhabitants would be able to turn their attention to trade and commerce, cities and towns would in some measure replace the scattered plantations, and artisans and tradesmen of all kinds would come to settle in the Province.

There were at this time very few coins of any kind in the Colony. While it was small the system of barter had been quite satisfactory, but about the middle of the seventeenth century the assembly, feeling that some kind of money was needed, had petitioned the Lord Proprietor to establish a mint. Instead of doing so, he had sent out some coins which he had had struck in England. These, however, never had a very wide circulation and the issue was not continued, so that at the time of which we are speaking a few English coins

[1] Session Laws, 1727, p. 9; 1731, p. 4.
[2] Ibid., 1732, p. 24.
[3] Maryland Gazette, April 8–15, 1729.
[4] Benedict Leonard Calvert to Lord Proprietor, Annapolis, October 26, 1729, Archives of Maryland, vol. xxv, pp. 601–610.

and some of foreign nations, especially Spain, were the only money in the Province. In order to make change some of these coins were broken into small pieces so that clipping was very easy and the bits of gold and silver had to be weighed to determine their value. Even these were constantly being sent to England to discharge an unfavorable balance of trade, which was larger in the case of Maryland than for most of the colonies because of the dues that had to be paid to the Lord Proprietor. In 1729 gold and silver were so scarce that an act of assembly passed that year offered a reduction in duties to all who would pay them in specie.[5] Tobacco remained, as it had been from the first settlement of the Colony, the chief medium of exchange. Public levies, officers' and lawyers' fees, fines and forfeitures, the poll tax to the clergy, the salaries of members of the assembly, and before 1717 the quit-rents to the Lord Proprietor were all paid in it, and all business transactions were measured in tobacco. But its bulk, the fluctuation in price, and the uncertainty as to the quality of each hogshead in the absence of an effective inspection law made it extremely inconvenient. Paper money seemed to furnish an easy solution of these difficulties. The New England colonies, New York and Pennsylvania, had all issued it and their people were well satisfied with it. If Maryland followed their plan debtors would have an easy means of paying their debts, and all the inhabitants could borrow money to put themselves on their feet again.

Legislators, merchants, colonial officials and the public generally joined in the demand for change, and the movement for paper currency in Maryland grew directly from the unsatisfactory condition of tobacco. It is the age-old story of a state where business is static and debt and poverty are prevalent striving to satisfy the clamor of a debtor class for easy money, and to put new life into its industries. We may naturally expect, therefore, that any law for issuing paper currency will contain provisions for supplying easy money and furthering the interests of the tobacco growers.

[5] Session Laws, 1729, chap. xv.

CHAPTER II

Passage of the Paper Currency Act of 1733[1]

Several years of agitation were necessary before an act for issuing the much-desired paper currency was passed. The first mention of the subject in the assembly was on October 26, 1727,[2] when the Lower House ordered that a bill be brought in for issuing paper money. This bill was never reported to the House as the session ended a few days later. The next year the matter again came before the Lower House and a committee brought in, November 1, 1728,[3] a bill entitled, "An Act to Make and Emit Twenty-four Thousand Pounds Current Money of Maryland in Bills of Credit and for Easing the Inhabitants of this Province in the Payment of Tobacco Debts and for Rendering the Staple of Tobacco More Valuable and to Raise a Fund to Sink the Said Bills of Credit." This act was scheduled to have a second reading but the session closed before it got any further.

Early in the session of 1729, therefore, the Lower House directed the Committee on Laws to bring in a paper currency bill. Accordingly, on July 23, 1729,[4] this committee reported a bill with the same title as that of the previous year. After making some changes in it, the Lower House sent it, on July 29,[5] to the Upper House. On August 4[6] that body returned it, proposing several amendments, among which were the following: (1) the law was not to be enforced until sanctioned by the Lord Proprietor; (2) a clause providing that

[1] The currency legislation from 1733 to 1765 has been fully presented by Dr. C. P. Gould, but I have carefully reviewed all of the documentary material and have added details which support a somewhat different treatment of the subject.

[2] Lower House Journal, October 26, 1727, p. 61; Archives, vol. xxxvi, p. 76.

[3] Ibid., November 1, 1728, p. 144; ibid., vol. xxxvi, pp. 253–254.

[4] Ibid., July 23, 1729, p. 47; ibid., vol. xxxvi, p. 412.

[5] Ibid., July 29, 1729, p. 65; ibid., vol. xxxvi, p. 422.

[6] Upper House Journal, August 4, 1729, pp. 66–67; Archives, vol. xxxvi, pp. 368–369.

bills of credit be accepted in payment for the public and county levies and for the forty pounds per poll, with a proviso the effect of which we have no means of knowing, was to be omitted; (3) a clause making the paper money legal tender in the payment of both sterling and current money debts was to be struck out. The Lower House utterly refused to pass the bill thus amended and, as the Upper House would not give up the amendments, another session ended without a law for paper currency. Governor Calvert blamed the Lower House for the failure of the bill and considered it a question of politics on the part of some of the members. Referring to the clause requiring the assent of the Lord Proprietor, he wrote to his brother as follows:

> This being the leading amendment proposed and known to be insisted on, overset the whole bill, for while a set of people in the Lower House were disputing, or rather denying your right to dissent to laws, you may easily imagine they would not, in the eyes of their deluded followers so far weaken their pretension as to admit of this clause which must appear a 'tacite confessione' of the same right they had pretended to oppose.[7]

But it is likely that there were motives of self interest among the members of the Upper House as well, for they were not only the richer planters and hence probably the creditor class, but they were also the chief officers of the government and received their salaries from the public levies, and they were protecting the clergy who were trying to maintain their right to the forty pounds of tobacco per poll granted them by the perpetual law of 1702, for which the Lower House had several times tried to force them to accept a substitute.

The next year a bill with a similar title was passed by the Lower House and rejected by the Upper. It would be interesting to know the substance of these first bills that were proposed, but we have no means of getting information concerning them, as the journals of the assembly contain only the titles. In 1731, however, the two houses were at length

[7] Benedict Leonard Calvert to Lord Proprietor, Annapolis, October 26, 1729, Archives, vol. xxv, p. 602.

able to come to an agreement. On July 15[8] the Lower House proposed that a joint committee be appointed to draw up a bill, but the Upper House replied that it would be more parliamentary if the Lower House drew up the bill which they would then carefully consider. Accordingly the Lower House, on July 19,[9] ordered a bill to be drawn up, voting that the paper money should be based on a sinking fund and not on landed security. This bill was rejected by the Upper House on July 29,[10] and though we cannot discover the reason, it was evidently known to the members of the Lower House, for they sent up another bill with about the same title which was amended by the Upper House, and, finally, after an exchange of several messages by the two Houses, was passed and approved by the Governor.

The title of this bill was in substance the same as those of 1728, 1729, and 1730, except that it provided for the emission of £36,000 instead of £24,000 in bills of credit. An examination of it will be of interest, therefore, as it shows the probable character of the earlier bills. The bills of credit were to be issued in denominations ranging from sixpence to twenty shillings, to be signed, numbered, and dated, and to bear the arms of the Lord Proprietor. Five commissioners were to have charge of issuing these bills and to receive payments for the sinking fund. The bills were to be received for all contracts made in future for current money, for debts due in tobacco at ten shillings for one hundred pounds, and for lawyers' and officers' fees at the same rate, and for all duties except those for the sinking fund and those due the Lord Proprietor and the King, at the rate of £133 6s. 8d. for £100 sterling, which was the ratio fixed by an act of Parliament for American and English money.[11] A sinking fund was raised by means of duties on liquors, negroes, and

[8] Lower House Journal, July 15, 1731, p. 295; Archives, vol. xxxvi, p. 224.

[9] Ibid., July 19, 1731, p. 299; ibid., vol. xxxvi, p. 229.

[10] Upper House Journal, July 29, 1731, p. 100; Archives, vol. xxxvi, p. 214.

[11] 6 Anne, cap. lvii (given in common printed editions as, 6 Anne, cap. xxx).

Irish servants. A peculiar method of redemption was provided. At a certain time every year beginning with 1735 the commissioners were to advertise in the Maryland Gazette the amount of gold and silver in their hands and the proportion it bore to the bills in circulation. Each person who brought in bills was to receive his proportion of gold and silver and have his bills marked to indicate the fact. The act was to terminate when the bills had been redeemed in full. The bills were to be used to pay for trash tobacco at the rate of fifteen shillings for every one hundred and fifty pounds, which was to be destroyed by commissioners appointed for the purpose. If any bills remained they were to be lent out at interest. The law was not to take effect until the Lord Proprietor should approve it. His Lordship, however, neither vetoed nor approved the measure. In his speech[12] at the opening of the assembly in 1732, Samuel Ogle, the new governor, remarked:

> As to the act concerning the paper currency, His Lordship thinks it is of the greatest importance to the country, therefore is resolved to consider it in the best and most deliberate manner before he comes to a final resolution concerning it, and as His Lordship has the prosperity of the country seriously at heart there is no doubt but a due regard to its welfare will determine His Lordship in his dissent or assent to that or any other law his tenants shall desire.

This was the only official notice ever taken of the bill. The Upper House contented itself with hoping that His Lordship would act in the manner most beneficial to the country, but the Lower House took very little trouble to conceal its irritation, and the address to the Governor ran:

> We are truly sorry that we could not learn His Lordship's sentiments concerning the paper currency bill, it being one of the greatest misfortunes that a country can labor under to be upon an uncertainty about its laws, but since that bill is of such importance and requires so much consideration, we must submit to lose the benefit which the country hoped to derive from it, the execution of it, should His Lordship assent to it, being now impracticable.[13]

Thereupon the Lower House proposed the appointment of

[12] Upper House Journal, July 11, 1732, p. 167; Archives, vol. xxxvii, p. 371.

[13] Lower House Journal, July 13, 1732, p. 366; Archives, vol. xxxvii, p. 451.

a joint committee to draw up another paper currency bill to which the Upper House consented. This committee, which was composed of the leading men in both houses and which numbered among its members Benjamin Tasker, the agent of the Lord Proprietor, and Daniel Dulany, a promising young lawyer who was already one of the leaders of the Lower House and who was soon to be honored by the Lord Proprietor with a seat in the Upper House and some high offices in the government, made its report[14] on July 31, 1732. It advised the emission of £72,000 to circulate for fifteen years. These bills were to be lent out at an annual interest of four per cent and the borrowers were to pay in a certain part of their principal each year. The principal for the first five years, and the interest always was to be again emitted, but after the fifth year the principal was to be destroyed. To give the bills credit, they were to be received at their face value for contracts hereafter to be made for the payment of current money, for public dues, except the forty per poll, for duties, for officers' and lawyers' fees, fines, forfeitures, rewards and bounties. Where fees or taxes were expressed in tobacco, the bills were to be received at ten shillings for every one hundred pounds. The real and personal property given as security by the borrowers of the bills was to serve as their backing. The public faith of the Province was to be pledged in support of the money, and the committee remarked that if either at once or later a sinking fund of from eight hundred to one thousand pounds on a sound foundation could be created it would be of great service in maintaining the credit of the bills. It was calculated that if the bills were borrowed at once and if their credit were enforced the country would gain, after defraying the expenses of the act, about £34,000.

Both houses adopted the main points of the report and the Lower House passed and sent up a bill embodying them. At the suggestion of the Upper House the dues owed to the Lord Proprietor were excepted from those for which paper

[14] Upper House Journal, July 31, 1732, pp. 206–208; Archives, vol. xxxvii, pp. 406–408.

money was to be received. The Lower House fought hard against a suspensive clause which the Upper House insisted upon inserting, and declared that eighteen months was long enough to wait for an answer from the Lord Proprietor, especially as that was the time within which a previous holder of the title had agreed to reply to measures; but at length it

The two houses were agreed upon everything except the appointment of the commissioners to carry out the act. These the Lower House insisted upon naming in the act, claiming that this was the invariable practice of the Parliament of England and of the legislatures of the neighboring colonies in the case of money bills. In vain did the Upper House urge that the appointment of the commissioners should be left to the governor, especially as this had been done in the act of the year before and any change would look like a reflection upon the new governor who had been most agreeable in his dealings with the assembly. In vain did they explain that it was in supply bills and not in bills for the issue of money that the Parliament of England generally named commissioners, and cite examples to show that even in this kind of bills the appointing power was often left to the king. The Lower House felt that one of its sacred rights was being attacked and it would not concede the point.[15] Thus the bill failed, not because of the disapproval of the assembly but because of a question of prerogative. Had it passed, Maryland would have had a currency based not on an adequate sinking fund, but on the security of real and personal property mortgaged by the borrowers of the bills, for the sinking fund proposed by the joint committee was so small as to be of little value, and even this was only suggested as a possible improvement, not as an absolute necessity in the bill. This method of floating an emission of paper money was pursued by several other colonies with disastrous results. That Maryland escaped a similar experience would seem to be due not to the foresight of her statesmen but to mere chance.

[15] See Upper House Journal and Lower House Journal, July 31–August 8, 1732; Archives, vol. xxxvii.

When the assembly met in 1733 the Lord Proprietor was himself present in the Province, and a spirit of good feeling and conciliation was prevalent among all classes and between him and his tenants. On March 28 the Lower House sent up a bill for emitting £72,000 of paper money.[16] The Upper House was unwilling to pass this bill without amendments and, therefore, proposed a conference to which the Lower House agreed. The conference committee reported on April 2,[17] proposing a number of amendments, the chief of which were: (1) the emission of £90,000 instead of £72,000 in order that more might be loaned out to pay the expenses of the act and that some might be left in the office for the use of the public in case of an emergency; (2) the increase of the duty for the sinking fund from 12d. to 15d. on every hogshead of tobacco; (3) the exclusion of lawyers' and officers' fees from the act.

The omission of officers' fees and dues to the clergy from the legal tender provision of the act was due to the Lower House, apparently, and not to the Upper, for in an address to the assembly dated December 26, 1735,[18] the Lord Proprietor remarks that he wishes that a mistaken notion of the country's interest had not induced some members of the assembly, when the paper currency bill was passing, to refuse the payment of the forty per poll and officers' fees in the said paper money at the rate of ten shillings per hundred pounds, for he was not wanting in his good offices with the clergy and the officers who had agreed to accept these terms. Again, in 1739[19] Governor Ogle, in referring to the same period, reminds the assembly that he made great efforts to have the paper money used for this purpose, but that his efforts were opposed with great zeal by certain gentlemen who thought that they were doing their country a great service. In an ill-tempered reply, the Lower House expresses the hope that the

[16] Lower House Journal, March 28, 1733, p. 461; Archives, vol. xxxix, p. 71.
[17] Upper House Journal, April 2, 1733, pp. 273–280; Archives, vol. xxxix, pp. 29–34.
[18] Ibid., April 20, 1736, pp. 2–3; ibid., vol. xxxix, p. 406.
[19] Lower House Journal, May 1, 1739, lib. 45, pp. 781–782.

Governor was considering the public good in this matter, but takes the liberty to judge favorably of the motives of those who differed with him and adds that the government has always pursued its own profit and benefit.[20] This looks as if the Lower House felt called upon to defend itself, especially as the Upper House was composed of the officers themselves. What the actual reasons were that influenced the representatives of the people in this opposition, I cannot imagine.

After some wrangling over the salaries of the commissioners and clerk, the two houses at length agreed to pass the bill. It was entitled "An Act for Emitting and Making Current Ninety Thousand Pounds Current Money of Maryland in Bills of Credit," and the preamble declared:

> The most probable means to enable the people to discharge their taxes and other engagements now payable in tobacco otherwise; and to destroy such ordinary and unmerchantable tobaccos, which serve only to clog the markets, and to depreciate the best sorts of that commodity; as well as to put the people in a condition to carry on the tobacco trade to the advantage of Great Britain and this Province is to establish a paper currency or bills of credit upon a sinking fund.[21]

A committee of both houses waited upon the Lord Proprietor at his house and presented an address requesting him to assume the direction of the trustees in London. His Lordship graciously accepted this trust and, in the presence of the entire assembly gathered for the purpose in the council chamber, affixed the seal to this law. Thus after seven years of effort the first paper currency act of Maryland was passed.

It is significant to note that, with the single exception of the bill proposed in 1732, all the previous bills followed the same general outline as this. All had the same purpose, as will be seen by reference to the titles and preamble quoted above, namely, the issue of a paper currency to relieve the inhabitants from the necessity of paying their debts in tobacco, the destruction of trashy tobacco, and the creation of a sinking fund to redeem the bills of credit.

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[20] Ibid., May 4, 1739, lib. 45, pp. 791–792.

[21] Session Laws, cap. 6, 1733; Bacon, Laws of Maryland, 1733, cap. 6; Archives, vol. xxxix.

CHAPTER III

Attempts to Remedy Defects

The paper currency act of 1733 was intended to furnish an additional medium of exchange and to make possible the destruction of trash tobacco, which it was hoped would improve the tobacco trade. It is desirable at this point to examine the details of this act and to discuss the attempts of the assembly to remedy defects which experience developed.

The law provided for the emission of £90,000 in bills of 20s., 15s., 10s., 5s., 2s. 6d., 1s. 6d., and 1s., which were to be signed, numbered and dated, and for each of which a counterpart was to be kept. Three commissioners, appointed by the Lord Proprietor or his governor and removable at his discretion, were to have charge of the money and were each required to give bond of £1,000 sterling. They were to have a clerk who was to give bond of £1,000 currency. The bills were to pass at the regular proclamation rate for current money of America, £133 6s. 8d. to £100 sterling. They were to be a legal tender for contracts made in future for current money, for public and county levies, except the forty pounds per poll and tobacco for building and repairing churches, if tendered before April 10 of the year in which they were due, for fines, forfeitures, rewards and allowances, for duties except those due the Lord Proprietor and the fifteen pence imposed by this act, and for lawyers' fees if tendered before the end of the court in which the case was completed. Where the bills were paid instead of tobacco the ratio was to be 10s. for one hundred pounds. One third of the emission was to be redeemed at the end of fifteen years, 1748–1749, and the remaining two thirds at the end of thirty-one years, 1764–1765. To provide a sinking fund for the purpose, the act laid a duty of 15d. sterling on every hogshead or every four hundred pounds of tobacco exported. This duty was to be

collected by the naval officers of the Province and sent in bills of exchange to three trustees, merchants of London, who were to invest the money in capital stock of the Bank of England and hold it for the Province. When the time came to redeem the paper money the commissioners in Annapolis were to draw bills of exchange on these trustees, who were to sell as much of the bank stock as was necessary to pay them. If any money or stock remained after all the paper money had been redeemed it was to belong to the Province and be at the disposal of the assembly. Any one who counterfeited the bills was to be punished by death without benefit of clergy, as a felon. Some of the bills were to be used to indemnify planters for the destruction of trash tobacco. The justices of the counties were to pay to the master of every family 30s. for each taxable[1] he had, and in return he was compelled to burn 150 pounds of trash tobacco for each taxable in 1734, and the same quantity in 1735, in the presence of persons appointed as witnesses. £3,000 was to be used to build a house for the governor, £500 was to be spent to repair the public buildings in Annapolis, and £500 was to be given to each county for the erection of a prison. The rest was to be loaned out at interest at four per cent on the security of real or personal property.

Daniel Dulany, writing to Calvert, September 10, 1764,[2] severely criticized this method of putting the bills of credit into circulation. It was, he said, the real reason for their depreciation, that they were practically given away. He was mistaken, of course, as to the cause of depreciation, but he was correct in his statement that the money was given away at least so far as the 30s. per taxable was concerned, for the State paid in advance for trash tobacco at the legal ratio be-

[1] At this time taxables included freemen of sixteen years and over, except ministers of the Church of England who held benefices in the Province, imported male servants sixteen years old and over, all slaves of the same age, female mulattoes born of white women, and free negro women. For a discussion of the meaning of the term at different times and of the laws on the subject, see the index of Mereness, Maryland as a Proprietary Province.

[2] Dulany to Calvert, September 10, 1764, Calvert Papers.

tween good tobacco and paper. Furthermore, the £48,000 thus spent was practically wasted as it did not improve the tobacco trade. Trash tobacco still continued to be put upon the market, complaints were made as to the low price of tobacco, and the assembly found it necessary in 1736 to reenact the law forbidding the destruction of tobacco plants and houses, which was about to expire. It was not until the passage of the inspection law of 1747 that the price of tobacco increased. To this extent, therefore, the act was a failure.

It was not altogether successful in fulfilling the other purpose for which it was drawn up. It did provide another medium of exchange, but it also created a double standard, the inconvenience of which can be imagined when one reflects how impossible it is to maintain a fixed ratio even between two such comparatively stable articles as gold and silver, whereas in Maryland one of the terms of the ratio was a perishable commodity and was affected by all the fluctuations of the market. Then, too, the amount of paper money emitted was very large and would seem to have been more than the Province needed if tobacco was to be used also. Moreover the bills of credit were not as useful as tobacco as they were not legal tender for dues to the clergy or officers' fees and were receivable for taxes and lawyers' fees within a very limited time only, while tobacco, besides having the advantage of custom, could be paid for all public dues.

For a short time the paper money was variously received according to the opinions of individuals. In the Maryland Gazette of July 16, 1734, we find a statement by George Plater that some of the inhabitants of St. Mary's County have either ignorantly or designedly depreciated the paper currency and are refusing to exchange it for gold and silver except at a discount of thirty or forty per cent. He offers gold and silver to anyone who will apply to him on very reasonable terms. Daniel Dulany goes even further, for in another advertisement in the same issue he denies an allegation that he has ever made a difference between gold and silver and paper money, and offers to receive them at an equal

value for his services not only as a practitioner of the law but also as an officer of the government.[3] It was soon apparent to everyone, however, that the new money had greatly depreciated, and this fact was a source of anxiety to the assembly.

In the session of 1736 the Lower House spent a good deal of time in considering ways to remedy this condition. They first sent up a supplement to the act of 1733 which was intended to regulate the conduct of the sheriffs. These officers used all sorts of artifices to keep away from the people who wished to pay their taxes in money as the act of 1733 permitted them to do before April 10, and then, when this date was passed, they required a larger amount of money if they accepted it instead of tobacco. Thus the government, through the misuse of power by some of its officers, was giving its sanction to the depreciation of its own paper money. The Upper House would not pass this act, but in the message sent to the Lower House with it, they suggested that it would be better if everyone were obliged to pay dues and taxes in money. The suggestion was disregarded, and an act restraining the ill practices of sheriffs was passed.[4] Then the sheriffs took advantage of the depreciation of paper money to pay it to the public creditors and retain the tobacco which they collected. To prevent this, the act of 1742 required them to make out lists showing the amount of money and tobacco they received, and to pay to each creditor his share of both.[5]

But to return to the session of 1736. On March 31, at the suggestion of the Lower House, a joint committee was appointed to consider plans for improving the credit of the paper money.[6] The committee decided that this end could best be accomplished by making the bills of credit more use-

[3] Maryland Gazette, July 16, 1734. These papers are in the New York Public Library.

[4] Session Laws, April, 1736, cap. 4, lib. BLC., p. 145; Archives, vol. xxxix, pp. 470–472.

[5] Session Laws, October, 1742, lib. BLC., pp. 239–241.

[6] Upper House Journal, March 31, 1736, p. 28; Archives, vol. xxxix, pp. 333–335.

ful, and found two classes of dues which might serve the purpose,—quit-rents and officers' fees.

Lord Baltimore, as a feudal proprietor, received a yearly quit-rent from his tenants. There being no money in the Province, these rents were paid in foreign coin, tobacco, and produce of all kinds and then converted into bills of exchange by the receiver general for remission to England. The inconvenience and expense of collecting the quit-rents and the opportunity afforded the officers for oppressing the people in valuing the goods they accepted in payment led the Lord Proprietor and the assembly in 1717[7] to make an agreement by which a duty on tobacco was substituted for these dues. As time went on both sides forgot the awkwardness of the old system and each thought the other had the better of the bargain. Lord Baltimore was advised by his brother, the governor, in 1729[8] not to discontinue the agreement, as he could not hope to realize as much after the cost of collection was paid, but in 1732 the assembly failed to pass the necessary act for continuing the duty on tobacco and matters went back to where they had been before. The people at once felt the hardship and complained of the old system to the Lower House. That body drew up an address to the Lord Proprietor acknowledging its error and petitioning that a new agreement be made. Thus matters stood when the conference committee of 1736 reported its plan for paying the quit-rents in paper money.

These rents were to be collected by the Province in bills of credit at fifty per cent above sterling and the Lord Proprietor was to receive instead a given sum, later named as £4,000 sterling, the proceeds of an additional sterling duty which was to be laid upon tobacco. The shippers of tobacco were to receive the money they paid in bills of credit at fifty per

[7] See the Assembly Proceedings for that year published in the Archives.

[8] Benedict Leonard Calvert to Lord Baltimore, October 26, 1729, Archives, vol. xxxix, pp. 47, 86, 189, 191–193, 259, 266, 268, 272, 341, 363, 403, 405, 417, 418, 422, 427, 428, 453, 457, 459, 460, 463, 466, 470, 502, 504; see also index to Mereness, Maryland as a Proprietary Province.

cent above sterling out of the money collected for quit-rents.[9] The Lord Proprietor declared that this was too small a sum and that he was satisfied with the present mode of collection. Though attempts were made later to adjust the matter, there is no indication that this plan was adhered to.

The second proposal of the committee was that officers' fees be payable in paper if discharged within a given time. On the very day that this committee was appointed the Lower House had read and refused to pass "An Act for the Payment of All Officers' Fees in Current Money of This Province,"[10] but the more conservative suggestion of the committee was adopted, and in the address to the Lord Proprietor the rate at which the paper money was to be received was fixed at 12s. 6d. per one hundred pounds.[11] Nothing came of the proposal at the time, however, and the whole subject of officers' fees soon became a subject of serious discord between the two houses. The officers were the appointees of the Lord Proprietor and were generally either his own relatives or members of the chief families of the Province. They were regarded by the people as extremely unpatriotic, because as members of the Council and Upper House they usually took the side of the Lord Proprietor in any disputes which arose between him and his tenants, and because they, like the clergy, were unwilling to consent to a reduction in their fees which the Lower House required as a sine qua non for the passage of any adequate law for the inspection and regulation of the quality of tobacco. This latter point was considered very important by both sides, because it involved the question of the control of officers' fees. The Lower House claimed that this power rested with the assembly, while Lord Baltimore and his Council claimed that this was one of his prerogatives.

[9] Upper House Journal, April 3, 1736, pp. 37–39; Archives, vol. xxxix, pp. 341–342; Lower House Journal, May 6, 1736, p. 678; Archives, pp. 465–466.

[10] Ibid., March 31, 1736, lib. 45, p. 621; ibid., vol. xxxix. p. 386.

[11] Upper House Journal, April 9, 1736, p. 65; Archives, vol. xxxix, p. 362.

The fees themselves, which had been fixed by a proclamation of the Lord Proprietor in 1733, were felt to be extremely high and were especially burdensome because by this proclamation the officers were allowed to make use of writs of body execution to collect them. In 1738 the Committee on Grievances and Courts of Justice of the Lower House reported that the proclamation was in excess of the authority possessed by the Proprietor, and that even the power granted by it to the officers was abused by some of them. This committee favored the payment of fees in paper money because traders who did not make tobacco were obliged to buy it at high prices and many of them became discouraged and left the Province.[12] In 1739 the same committee called attention to the fact that when money was taken for fees 20s. was demanded for one hundred pounds of tobacco, and that the naval officers insisted upon being paid in gold and silver.[13] When the matter was taken up with the governor, however, he replied that this was a question for the courts of law to settle, and added that it was the Lower House alone which had prevented the paper money from paying officers' fees and the forty per poll when the act of 1733 was being passed.[14] In his speech at the opening of this session, however, he urged the two houses to come to an agreement and frame a general law for this purpose, or if this could not be done, at least to permit the settlers on the frontier where the land was not suited to the cultivation of tobacco to pay fees and taxes in money.[15] Almost the entire session was occupied by a dispute as to the levying of 1s. per hogshead for the support of the government. In the bitter feelings which this controversy engendered there was, of course, no hope of an amicable settlement of any disputed question.

In the next few years the Lower House made several attempts to regulate officers' fees but nothing came of any of

[12] Lower House Journal, May 16, 1738.
[13] Lower House Journal, May 26, 1739, lib. 45, p. 839; May 30, p. 863.
[14] Ibid., June 8, 1739, lib. 45, pp. 893–894.
[15] Ibid., May 1, 1739, lib. 45, pp. 781–782.

them. Finally in 1747 the subject came up again in connection with the proposed inspection law. A conference of the two houses was at length able to arrange a compromise, and the much-needed law was passed.[16] It provided that all tobacco must be brought to certain warehouses, there to be inspected, graded and stamped before exportation. The inspectors were to give the owners of the tobacco promissory notes or receipts which were transferable, and were to be accepted as a tender of tobacco in the county where the warehouse was located. The fees of the officers, which were stated in a table appended to the act, were somewhat below those of the proclamation of 1733, and the clergy were given thirty pounds of the inspected tobacco instead of the forty pounds granted by the perpetual law of 1702. In payments where paper money was received instead of tobacco the ratio was changed from 10s. to 12s. 6d. per one hundred pounds in anticipation of a rise in price. Besides the privilege granted by the act of 1733 of paying the public levies in paper money before the tenth of April, this law gave those who did not make tobacco the additional liberty of paying dues to the clergy, and tobacco for building and repairing churches, in paper money if they were discharged before that date, and officers' fees as the business they needed was transacted. If anyone made any tobacco at all, he was obliged to pay what he made, and then he might discharge whatever he still owed in paper money. When this law was reenacted in 1753,[17] a clause was inserted to prevent any depreciation of the bills of credit by the government. The sheriffs were not compelled to take money even from persons who did not make tobacco after April 10, but this clause required that if they did accept it they must take no more than 12s. 6d. for every one hundred pounds of tobacco even if they had to distrain for it.

It is probable that the act of 1747 did not greatly increase the usefulness of the paper money as Maryland was so largely

[16] Session Laws, May, 1747, lib. BLC., pp. 357–394.
[17] Ibid., October, 1753, lib. HS., pp. 44–102.

a tobacco-growing colony, but it did increase both the price and the demand for tobacco, thus strengthening the sinking fund. The bills of credit appreciated considerably during the next year, but as this was the period for the redemption of one third of the emission it is hard to estimate the influence of the inspection law. When this law was passed again in 1753 foreign coins were made legal tender as well as paper money and were received for taxes at a value somewhat higher than that fixed by the act of Parliament. This depreciated the paper, of course, and drew from Lord Baltimore a complaint both on this ground and because the provision was contrary to the laws of England.

With the exception of a law of 1747,[18] which permitted the commissioners of the loan office to sue for the recovery of money which they had loaned at any time during the continuance of the paper currency act of 1733 and denied the borrowers the protection of any statute of limitations, no further attempt was made by the assembly to improve the credit of the emission. The people had become so accustomed to the depreciation of the bills that this condition seemed quite natural. Was this not the situation in all the colonies that issued paper money? During all the years that this matter was discussed, only once was there any suggestion that came near to the root of the trouble, and that was made by the Upper House in 1736,—that everyone should be compelled to pay public dues in money. This would have been the first step toward the demonitization of tobacco.

[18] Ibid., May, 1747, lib. BLC., pp. 422–425.

CHAPTER IV

Public Finance and the Sinking Fund

Bills of credit were popular in all the colonies because they could be used to finance undertakings for which funds could not be immediately procured by taxation. Indeed the first paper money ever issued in America was struck by Massachusetts in 1695 to furnish supplies for the expedition against Louisburg. Too often these bills were issued to avoid taxation and without adequate provisions for redemption, and then after being allowed to fall far below their nominal value were called in and paid for at their current rate. Maryland made use of the bills of credit which she issued in the same manner as did the other colonies, but her management of the sinking fund was quite exceptional.

The conference committee of 1733, it will be remembered, advised the issue of an additional £18,000 in order that there might be some money left in the office in case of an emergency, and the act of that year appropriated money for trash tobacco that was ordered to be burned, as well as £3,000 for the governor's house, £500 for the repair of public buildings in Annapolis, and £500 for the erection of a jail in each of the counties. In 1736 an additional £1,000 was applied to build a jail at Annapolis,[1] and in 1744 £500 was given to Worcester County, which had been formed since the passage of the act of 1733, for the same purpose.[2] In 1741 £250 was used for repairing the state house at Annapolis.[3] All this money was to be replaced by the duty of 15d. per hogshead on tobacco which was to create the bulk of the sinking fund for the redemption of the bills of credit. In 1735, 1736, and 1737 money was drawn out of the loan office to pay the journals of accounts, as the lists of government ex-

[1] Session Laws, April, 1736, lib. BLC., p. 146.
[2] Ibid., May, 1744, lib. BLC., p. 295.
[3] Ibid., May, 1741, lib. BLC., p. 216.

penses were called.[4] The treasurers were directed by the acts of 1735 and 1737 to repay this money out of the bills of credit which they received for duties and imposts, but no such provision was made in 1736 so that an additional burden was put upon the original sinking fund. The Lower House in 1741 with a view to paying the journal of accounts of that session from the loan office, appointed a committee to decide upon the advisability of such a measure. It reported that there was not much money in the loan office unappropriated and that if this sum were taken out it would be many years before it could be replaced; therefore, the usual method of laying an assessment on the taxables was preferable.[5] Thus the tendency to use the bills of credit for current expenses in lieu of taxes was checked.

A number of other acts appropriated money from the loan office but all made provision for repaying it, so that practically the country was only borrowing money without paying interest. Thus in 1741, £610 was given to one Charles Sewell to reimburse him for lands taken for the Indians and this was to be repaid by the treasurers from the first public funds which were not otherwise appropriated.[6] The inspection laws of 1747 and 1753 permitted the justices of the counties to take from the loan office money to equip the tobacco warehouses or to build them when necessary and to return it from the receipts of the warehouses, or where these were not sufficient, by means of an assessment in the county levy. In 1756 £200 was paid to Jonas Green, the public printer, for his services, which was to be replaced in the public levy, and in 1762 he received £500, but this was taken from an additional sum of money put into the loan office in accordance with an act of 1754 as will be explained later.[7] In 1757 about £219 was paid to several persons for food given the militia, which

[4] Ibid., April, 1735, lib. BLC., pp. 141–142; April, 1736, lib. BLC., pp. 167–168; August, 1737, lib. BLC., p. 191.
[5] Lower House Journal, June 19, 1741, lib. 46, p. 304; June 20, 1741, pp. 304–305.
[6] Session Laws, May, 1741, lib. BLC., pp. 227–228.
[7] Ibid., March, 1762, lib. HS., pp. 413–426.

was to be apportioned in the public levy and repaid by the end of July, 1758.[8]

The bills of credit, however, were used chiefly in war finance. In the spring of 1740 commissioners appeared in America for the purpose of enlisting troops for an expedition against the Spanish West Indies in which all the colonies were to be represented. When the Maryland assembly met, the Lower House ordered the committee on laws to draw up a bill for paying a bounty to volunteers out of the paper currency in the office, expressly rejecting a suggestion that it be paid by taxes. This bill was passed April 30 and sent to the Upper House which, on May 8, returned it with a negative and a long message stating its objections. Some of these had to do with the time for giving the bounty and certain exemptions to those who would enlist, but the first and main ones were that most of the money in the loan office was already appropriated and therefore should not be used unless the purpose for which it was first given was fulfilled or unless it could be replaced before it was needed. Furthermore the act made no provision for replacing it. It was not enough to say that some future assembly would repay it because that body would be under no obligation to do so. The act of 1733 intended that the money should be loaned so that if the loans were repaid in paper there would be fewer bills outstanding when the time came to redeem them, if in gold and silver it could be used for that purpose. The proposed bill, however, was borrowing without any security.[9] The Lower House was offended at this method of returning the bill, asserting that it should have been amended and that the request for a new bill was an infringement of the rights of the people's representatives, but after an exchange of messages on this subject a conference was at length arranged.[10] The bill which it drew up was passed. It provided for taking out of the paper currency office £2,562 10s. which was to be spent

[8] Ibid., April, 1757, lib. HS., pp. 331–333.
[9] Lower House Journal, lib. 46, April 28, 1740, p. 16; April 29–30, pp. 20–21; May 8, pp. 30–32.
[10] Ibid., lib. 46, May 24, 1740, pp. 98–99.

in bounties of £5 each for five hundred men, and in a commission of two and one half per cent to the agents appointed to distribute this money. This sum was to be replaced by three equal assessments in the public levies of 1741, 1742, and 1743.[11] Thus early did the Upper House check an attempt to take advantage of an emergency to relieve people of an additional burden by undermining the sinking fund on which the bills of credit rested.

In July it became necessary to make provision for maintaining the Maryland troops and transporting them to the West Indies where they were to join the forces from England. The governor therefore called another meeting of the assembly. The Lower House passed a bill for borrowing £5,000 and replacing it by one half the duty on negroes, Irish servants and liquor and by a fee for ordinary licenses. The Upper House asked for a conference, maintaining that the funds for replacing the money were not sufficient, because if there should be a French war the duty on negroes would amount to nothing and that ordinary licenses belonged to the Lord Proprietor. Nevertheless it announced its intention to pass the act regardless of consequences if the Lower House persisted. The Lower House refused the conference which it said would be a concession of its right to draw up money bills, and insisted that the act should pass, whereupon the Upper House gave in.[12]

The next money which the Lower House proposed to appropriate from the loan office was £3,000 for the support of the garrison at Louisburg in 1745. The bill sent the Upper House for the purpose ordered that food and arms be brought in the Province with the money and that it be replaced by ordinary licenses and by a duty of 40s. on every horse imported into the Province. It also contained a clause laying an additional duty of 2s. sterling on every hogshead of to-

[11] Session Laws, April, 1740, lib. BLC., pp. 192–196.

[12] Lower House Journal, lib. 46, July 8, 1740, pp. 144–145; July 10, p. 146; July 11, p. 147; July 12, p. 148; July 15, pp. 151–154; July 16, pp. 154–157; July 17, p. 158; Session Laws, July, 1740, lib. BLC., pp. 197–204.

bacco for the support of an agent in England. Almost all the colonies maintained such an agent to look after their interests at home and to represent them before the king and council, and the people of Maryland had long desired one, but as this would give them a means of appealing to the crown against the Lord Proprietor, he declared that he represented the Province in England, and refused to allow any bill for the purpose to pass. The Upper House therefore agreed to give its assent to this act only if the clause concerning the agent was struck out, and accused the Lower House of showing a want of zeal for the king's service by putting into the bill a clause which they knew could not be accepted. The Lower House refused to strike out the offending clause and drew up an address to the king deploring the failure of the bill and declaring that an agent was also for the service of the king who wanted his subjects to have access to him.[13]

The next year the home government planned an expedition against Canada and called upon the colonies to enlist troops, transport them to the appointed meeting place in New York, and provide food for them on the expedition. The Lower House proposed to take £4,500 from the loan office, £1,500 for bounties and £3,000 for transportation and provisions. This time a motion to put in a clause appropriating money for an agent was voted down. The Upper House was evidently not satisfied with the bill, for it asked for a conference, but when the Lower House declined, stating that it preferred to receive proposals in a message, the Upper House passed the bill as it stood.[14] In the autumn it became necessary to furnish more money and the assembly was again convoked. The Lower House appointed a committee to find means of defraying the expenses of the provincial troops, and this committee decided that £200 should be sent to Albany in bills

[13] Lower House Journal, lib. 46, August 13, 1745, p. 456; August 14, p. 456; August 17, p. 460; August 19, p. 462; August 21, pp. 463–464; August 22, pp. 465–466; August 23, pp. 568–582.

[14] Ibid., lib. 46, June 18, 1746, pp. 580–581; June 20, p. 582; June 21, p. 583; June 23, pp. 584–585; Session Laws, June, 1746, lib. BLC., pp. 337–347.

of exchange on Mr. William Hunt and £800 should be taken from the loan office to buy supplies in the province. This was later raised to £900 in order to allow a commission to Benjamin Tasker, Dr. Carroll and Mr. King for their services as agents under the act passed in the spring. This bill was hurried through both houses and received the governor's assent on November 12. The money borrowed by both these acts was to be repaid by ordinary licenses.[15] This was the last aid given by Maryland in the conflict that is known in American history as King George's War.

It was not long, however, before the colonies were called on to do their part in the last and most deadly struggle for the possession of North America, the French and Indian War. In preparation for it both parties had been building forts in the disputed country between the Mississippi River and the Allegheny Mountains and cultivating the friendship of the Indians. In 1754 an impressive meeting was arranged at Albany between representatives of the English colonies and the Six Nations who were the bitter enemies of the French. To retain their good will and procure their assistance was an object of greatest importance to the colonies because of their power and the territory which they occupied in the very heart of New York. The home government provided many gifts for them, expecting the colonies to do the same. When the governor convoked the assembly he recommended that money be voted for this purpose and the Lower House passed a bill giving £500 from the loan office and replacing it by peddlers' licenses and by ordinary licenses after the acts for the Canadian expedition of 1746 had been repaid. The Upper House refused to pass the bill, asserting that the money arising from peddlers' licenses belonged to the Lord Proprietor who had the sole right to grant them.[16]

[15] Lower House Journal, lib. 46, November 7, 1746, pp. 669–673; November 10, pp. 674–675; November 11, pp. 675, 679; November 12, pp. 680 and 682–683; Session Laws, November, 1746, lib. BLC., pp. 353–356.

[16] Lower House Journal, lib. 47, February 27, 1754, p. 387; March 1, p. 388; March 6, p. 397; March 7, pp. 399–400; March 9, pp. 407–413.

At another meeting of the assembly in May the Lower House appropriated £650 for presents to the Indians and £3,000 for the assistance of Virginia in driving the French from the Ohio country. This money was to be returned to the loan office by a wheel tax, a tax on all offices of profit in the province, an addition to the fee for ordinary licenses and to the import duty on negroes and a duty on all servants brought into the Province. The Upper House asked for some amendments, but though a conference was held no agreement could be reached and the money for gifts to the Indians was finally taken from the treasurers, the appropriation for the assistance of Virginia being postponed for the time.[17] Cooperation between the colonies, however, was urged by the home government, and another meeting of the assembly was called about the middle of July to obtain contribution from Maryland. The bill, which was passed at once by both houses, appropriated £6,000 for the defense of the Virginia frontier, borrowing £4,000 8s. from the loan office and taking the rest from the treasurers. All this money was to be paid into the loan office by a tax of 5s. per wheel on coaches and carriages of all kinds, an additional fee on ordinary licenses and the original one as soon as the money borrowed in 1746 was replaced, a license on all peddlers, and an import duty on servants and Madeira wine.[18] It was out of the extra money put into the office by this act that the £500 was given to Jonas Green in 1762.

This money was soon spent and in December the assembly was called upon to make another appropriation. The Lower House proposed to give £7,000, £2,984 14s. from the loan office and £4,015 6s. of new bills that had never been emitted. These bills had been printed to exchange for two thirds of the old bills in 1748–1749 and had never been called for.

[17] Ibid., lib. 47, May 14, 1754, p. 424; May 15, pp. 425–426; May 16, pp. 427–429; May 18, p. 430; May 21, p. 435; May 22, pp. 438–439; May 24, pp. 439–440; May 25, pp. 443–446; May 27, pp. 448–450.

[18] Ibid., lib. 47, July 18, 1754, p. 475; July 20, pp. 477–478; July 22, p. 479; July 24, p. 481; Session Laws, July, 1754, lib. HS., pp. 152–158.

The delegates claimed, according to a letter written by Governor Sharpe to Calvert,[19] that as the old bills for which these were held had not been brought in they must be lost, and, therefore, the other bills, if emitted, would bring the amount in circulation up to £60,000. The governor adds that this idea is incorrect, for everyone gets the old bills among his money, and the reason they were not redeemed was because they were held during the six months allowed for redemption in such small quantities that it did not pay to journey to Annapolis with them. The funds applied to replace the money borrowed by the act passed in July were to replace that borrowed by this act also. The Upper House would not pass the bill,[20] however, and the matter had to be taken up by the next session of assembly which was held in February, 1755.

This time the Lower House proposed to appropriate £10,000 and to use the £4,015 6s. as before, repaying the money by ordinaries and by duties on servants brought into the province, including convicts deported from England. There may have been other duties and taxes, but we have not full information on this bill. The Upper House dissented, giving the following reasons. In the first place, the £4,015 6s. had been struck to redeem old bills and as it had not been used these bills were evidently still in circulation. Certainly some of them were, as everyone had seen them. As only £60,000 could now circulate under the act of 1733, these new bills, if issued, would have no standing. Besides, they would cause the depreciation of the entire emission. Secondly, the duty on servants would discourage immigration and thus delay the settlement of the back country, while, in so far as it applied to convicts, it would be contrary to the authority of the king. Thirdly, the ordinary licenses were too far mortgaged already, and furthermore the granting of them was a prerogative of the Lord Proprietor. The Lower House in-

[19] Sharpe to Calvert, January 12, 1755, Letter Book I, pp. 103–104.
[20] Lower House Journal, lib. 48, December 17, 1754, pp. 15–16; December 24, p. 19; December 24, p. 20; bill, pp. 21–23.

sisted that the £4,015 6s. even if it did depreciate the emission somewhat would do no harm, that the masters and not the servants would have to pay the duty, and that this was a late time for the Upper House to be talking about the prerogative of granting ordinary licenses. The two houses were unable after the exchange of several messages to come to an agreement and the Lower House blamed the Upper House for the failure because they had raised the question of ordinary licenses.[21]

In June the assembly again met. This time the colony was called upon to protect its own frontier against the French and Indians. Governor Sharpe had already made arrangements with messengers to carry intelligence to and from the back country. He asked for money to pay them and said that a hundred men were needed to range the country and at least sixty were absolutely necessary. The Lower House sent up a bill appropriating £2,000 of the uncirculated £4,015 6s. for maintaining eighty men for four months, for messenger service, and for rewards for enemy scalps. This money was to be redeemed by the proceeds of an additional duty on servants for seven years and over, a duty on rum imported in ships belonging to residents of Maryland, and on wines except those from England. The Upper House returned the bill. No reason is given by them for this action, but Governor Sharpe told the Lower House that he understood they thought the money applied was not enough. However that may be, the Lower House refused to take any further action on the matter on account of the return of the bill.[22] Another bill was framed for the king's service, or to be more explicit £5,000 was appropriated for the defense of the forts in the Ohio country. The Upper House raised the question of prerogative in connection with ordinaries, and objected that the

[21] Ibid., lib. 48, February 26, 1755, pp. 31–32; February 27, pp. 32–33; February 28, p. 35; March 1, p. 36; March 10, pp. 51–52; March 11, p. 55; March 14, pp. 58–61; March 19, pp. 67–69; March 21, pp. 78–81; March 24, pp. 82–87; March 26, pp. 90–92.

[22] Ibid., lib. 48, June 28, 1755, p. 109; June 30, p. 112; July 2, p. 115; July 3, p. 117; July 5, pp. 126–129; July 7, pp. 132–139.

funds pledged to replace the money borrowed in 1754 could not take care of this additional burden as the bill intended, before the expiration of the £90,000 act. The Lower House drew up another bill like the first except that a duty on molasses and sugar was added, and the Upper House gave its negative.[23] Thus ended the session of that year without anything having been done for the service of the king or even for the defense of the Province itself.

Braddock's defeat in July, 1755, emboldened the French and Indians and left the entire English frontier at their mercy. Governor Sharpe was forced to order out the Maryland militia to prevent the terrified settlers on the border from deserting their homes. He presented the accounts of the money he had himself advanced for their maintenance and for messenger service to the Lower House when the assembly met the next spring, asking to be reimbursed and to have the soldiers whom he had called out rewarded for their services. Before these accounts were received, however, that body had resolved itself into a committee of the whole house, on March 3, to determine the outline of a bill for the king's service and decided to appropriate money for a fort and four blockhouses on the western frontier of Maryland with two hundred men to garrison them, for rewards for scalps and prisoners, for treating with the southern Indians, and for an expedition either to Canada or the west as the home government should direct, the whole sum to amount to £40,000.[24] A committee was appointed to find ways and means to raise this money and it reported March 11, suggesting that £30,000 of new money be issued, that the £4,015 6s. be used, and that the remaining £5,984 14s. be paid from the loan office from any money which should come in, for at this time there was almost no money there. To repay the money borrowed and to redeem the new emission, an excise was laid on all liquor made or consumed in the Province, on bachelors, billiard

[23] Ibid., lib. 48, June 25, 1755, p. 101; June 26, p. 105; June 28, p. 107; July 1, p. 113; July 3, p. 116; July 5, pp. 124–125; July 7, pp. 139–148.

[24] Ibid., lib. 48, March 3, 1756, p. 178.

tables, and all kinds of legal documents; a tax of one shilling on every hundred acres of land and double that amount on lands belonging to papists who would not take the oath and tests; and an import duty on liquors, pitch, tar, and turpentine, horses and an additional sum on negroes. The duties and taxes collected under the act of 1754 were to be applied also when free.[25] It was estimated that the act would be completely carried out by 1761.

The Upper House sent down a message proposing a great many amendments most of which related to the pay of officers, an agent to accompany the expedition, and the omission of explicit directions about the location of the fort and the disposition of the troops which would tie the hands of the governor. They made it very plain that they would not pass any bill unless some provision could be made for sinking the new emission in case the funds appropriated should not prove adequate. The Lower House found fault with the message because the Upper House said these were the objections that occurred to them, which, said the Lower House, meant that they would continue to object until all the rights of the people were given up. Valuable time and much paper and ink were wasted in arguing about this, and at length the Upper House sent down the bill with a flat negative.

Meanwhile ordinances were passed giving money to the governor from the loan office to keep the rangers in the field, for the Indians had killed some of the settlers and were still abroad. Another bill, probably attempting to make better provision for sinking the emission, was refused by the Upper House because it contained most of the objectionable features of the first. A third bill was then sent up, evidently very much like the others, whereupon the Upper House asked for a conference. When it met, an agreement was reached as to the provisions for sinking the new money. The bills were all to be redeemed by 1761, and to insure this a committee of prominent citizens was named, which was to meet in August, 1760, to examine the accounts of receipts and expendi-

[25] Ibid., lib. 48, March 11, 1756, pp. 189–190.

tures under the act, and to calculate what the funds would bring in during the last year by taking the average of the four preceding years. If it should appear from this calculation that the bills could not be sunk at the end of the fifth year as the act provided, these commissioners were to lay an additional land tax in the same manner as that imposed by the act to make up the difference. With this and several other less important amendments the Upper House passed the bill.[26] As the funds for the expedition and for treating with the Indians were not used for these purposes, subsequent acts applied them otherwise.

In the fall of 1757 and again in the spring of 1758 the Upper House dissented to bills granting money for his majesty's service, emitting more bills of credit, and sinking them by means of a tax on all real and personal property and lucrative offices and employments. When the same kind of bill was once more sent up, the Upper House stated their objections in a long message which is interesting to us because though the bill proposed an emission of £35,000 and though the bills of credit in circulation were greatly depreciated no objection was made to this feature of the measure. Other questions which have no bearing upon our subject, such as the right of the Lower House to appoint officers, and to pass upon the claims of individuals, the amount of the tax to be laid upon officers, merchants of Great Britain, and the vacant lands of the Lord Proprietor, and the advisability of such a complex system of taxation, proved irreconcilable after the exchange of several messages and the holding of a conference so that the bill could not pass.[27] Every year thereafter when requisitions for troops and provisions were

[26] Ibid., lib. 48, March 27, 1756, p. 206; April 8, p. 217; April 15, pp. 226–230; April 16, pp. 231–233; April 17, pp. 234–235; April 19, p. 237; April 21, p. 239; April 23, p. 241; April 24, p. 249; April 28, p. 251; April 30, pp. 255–258; May 3, pp. 260–261; May 4, pp. 262–264; May 7, p. 265; May 11, pp. 268–269; Session Laws, February, 1756, lib. HS., pp. 207–252.

[27] Lower House Journal, lib. 50, April 8, 1758, p. 30; April 18, pp. 53–68; April 26, pp. 104–121; May 4, pp. 129–155; May 9, pp. 208–212; May 10, pp. 219–220; May 11, p. 221; May 12, pp. 224–227.

made by the home government the Lower House sent up a bill of this kind which they knew would not pass, and then blamed the Upper House for their inability to comply with the request.

Thus the £40,000 act of 1756 was the last grant of money for the king's service during the war. This fact, however, was apparently not due to the unwillingness of the assembly to increase the paper money in circulation. The Upper House made no protest that is recorded against the emission of £34,015 6s. in 1756 although it did insist that measures be taken to sink it at the appointed time. Nor was there a word of objection to the large emission proposed in 1758. This laxness on the part of the Upper House which had always hitherto been so particular about the paper money can only be explained on the ground that everyone felt that in this time of great danger any measure was justifiable.

Having seen how the Province made use of the bills of credit for public finance, we will now examine briefly the administration of the funds of the paper currency office. The act of 1733 provided for the appointment of a joint committee of the assembly at each session to investigate the accounts of the Commissioners for Emitting Bills of Credit. The report which this committee presented was generally very clear and accurate until 1752, but after that time most of the committees complained that the books in the office were in a very disorderly condition so that a thorough investigation was impossible. The reports drawn up by these committees are very inexact and contain many errors. Sometimes accounts that do not balance are forced. Under these circumstances we do not claim that the facts which follow are absolutely accurate, but we have, we think, given the matter as careful study as the accounts will permit.

It was expected that some of the money emitted would be loaned to individuals and that the interest thereby gained would be added to the sinking fund and would help to pay the expenses of the act. The committee of 1739 recommended that a separate account of the profit and loss on loans

be kept,[28] and for many years thereafter the amount of money lent and the principal and interest paid in were regularly given in the report to the assembly. At first a good deal of money was borrowed. According to the report of March 22, 1736–1737,[29] the commissioners had lent up to that time £16,160. But the amount of money lent decreased gradually from year to year and when the French and Indian war came so much was taken out for the use of the public that there was practically none left for individuals. How much was earned by the loan office, and whether or not any of the money lent on bonds was lost, we do not know. The committee of 1758[30] complained that the commissioners were careless about loans to private persons, allowing the money to remain in their hands long after it was due, so that the interest was lost and the principal often endangered, but by the last report only a very small sum was outstanding so that either it had by that time all been collected or else the commissioners had charged it off the books as bad debts.

Most of the money borrowed by the public with the expectation of returning it was repaid. The last of the money borrowed by the act of 1737 for paying the journal of accounts was repaid in 1747. The act of 1740 for maintaining and transporting the troops for the expedition against the West Indies was reported closed by the account of 1755 with a surplus of £1,010 12s. 2d. which was transferred to the account of the act for the expedition against Canada. The money for this act was replaced in August, 1758, with a surplus of £138 12s. 11¼d. which was placed to the credit of the act of 1754. This in turn was repaid in October, 1760, and the balance of £167 5s. 2½d. was added to the fund for sinking the £40,000 act of 1756.[31] When the commissioners appointed by this act met in August, 1760, they found that there would be a deficit of £14,148 4s. 7d. They therefore laid an additional land tax of 7s. 7d. on every hundred acres, and

[28] Ibid., lib. 45, June 9, 1739, pp. 895–896.
[29] Ibid., lib. 45, May 25, 1737, pp. 718–719.
[30] Ibid., lib. 50, May 8, 1758, pp. 204–207.
[31] Ibid., lib. 52, April 24, 1762, pp. 77–82.

double that amount on papists as they were directed to do.[32] This was much more than anyone had expected, and the assembly met in October and passed a bill continuing the duties and taxes imposed by the act of 1754 for two years more. The Lower House desired to extend the time to three years and the Upper House wished to limit it to one, but both were so anxious for the passage of the measure that the compromise was easily arranged.[33] In 1763 it was found that there was a surplus of money under this act.[34] The reason for the slow payment of some of the earlier acts was not that the taxes were insufficient but that the officers, especially the sheriffs, were very careless about paying in the money which they collected. Several committees reported large sums due from ordinary licenses. In 1751 the Lower House ordered the county clerks to make lists of all ordinary licenses granted since 1740 with the name of the sheriff responsible for the fees, and in 1753 submitted to the governor the names of those in default, requesting him to sue them if they did not pay by some fixed day.[35] The payments were afterwards more prompt, but there was always some difficulty about getting them in.

Two sums borrowed by the public we know were not fully repaid. The last paper currency report mentioned that £28 was still due under the act of 1756 for encouraging Jonas Green, and £636 14s. 6d. for the act of 1740 giving bounties for the expedition against the West Indies for which the third assessment had never been laid. No account is given of the return of money taken out under the inspection laws which amounted to about £5,000, of about £400 of the £610 given to Charles Sewell, or of part of the £219 paid for provisions for the militia in 1757. However, as £1,999 14s. was put into the loan office under the act of 1754 which was

[32] Ibid., lib. 51, October 4, 1760, pp. 306–309.
[33] September 29–October 13, passim; Session Laws, September, 1760, lib. HS., pp. 386–389.
[34] Lower House Journal, lib. 52, November 26, 1763, pp. 232–234.
[35] Ibid., lib. 47, May 30, 1751, pp. 136–137; November 17, 1753, p. 372.

originally taken from the treasurers of the Province and of which only £500 was used to pay Jonas Green in 1762, the remaining £1,499 may have been used to replace these sums, for none of them are mentioned as due in the last paper currency report. It is possible, too, that they may have been paid and not reported.

The following money was taken from the paper currency office with the expectation that the sinking fund would replace it. The act of 1733 provided for the payment of the planters for the destruction of trash tobacco and of persons to see that it was burned. Over £48,000 was spent for this purpose according to my calculation, or more than half the emission. Several committees of the assembly seemed to be of opinion that some of the money sent to the county justices for distribution to the taxables still remained in their hands, but although the Lower House in 1748 ordered the committee to write to them concerning this matter, not much money, if any, came in, and the committee which reported November 29, 1765, thought that some could still be recovered. £3,000 was spent for the governor's house, £750 for the repair of public buildings including the state house, £7,500 for building prisons in the counties, and £3,388 15s. 10d. for the journal of accounts of 1736. These sums, together with the £686 14s. 6d. for the expedition against the West Indies, amounted to over £69,000. Nevertheless, so productive had the duty on tobacco proved that when the account was closed there was a balance in favor of the Province of about £25,000.

The Maryland money was often depreciated far below its nominal value. This was due to its limited usefulness as compared with tobacco. In the period before 1748 the lack of confidence in its prompt redemption, and in the later years the instability of the sinking fund occasioned by the low price of bank stock during the wars, also contributed to this condition. As the money circulated by the act of 1756 was withdrawn, and as the time for redemption approached, the money rose gradually until it reached par. The act had, in spite of

the depreciation of the money, proved a fairly successful one. By it the Province had not only made a large sum of money, but had also supplied a medium of exchange to its inhabitants, even if a comparatively poor one. That conditions were improved in the Province may be inferred from the absence of complaints concerning hard times and of petitions for relief from debt. Governor Ogle said in 1739[36] that trade had improved since he came into the Province. Daniel Dulany, contemplating the redemption of the bills of credit, said that it would be necessary to have money to stimulate trade, and attributed the present flourishing condition to the paper money.[37] Even an answer to queries of the Board of Trade[38] made about the same time, in which it was to the interest of the governor to represent everything as being as bad as possible in order not to excite the covetousness and interference of the Crown, shows that other articles besides tobacco were exported in large quantities, which is an evidence that the industry of the people was becoming diversified. It is impossible to estimate the influence of the act of 1733 in bringing about this changed state of affairs, but it certainly was a contributing factor.

[36] Ibid., lib. 45, June 5, 1739, p. 879.
[37] Daniel Dulany to Calvert, September 10, 1764, Calvert Papers.
[38] Answer to queries of Lords of Trade, Maryland Historical Magazine, 1907, vol. ii, No. 4, p. 253 ff.

CHAPTER V

Other Issues Before the Revolution

Long before the time came for redeeming the bills of credit issued by the act of 1733, the people of Maryland were discussing the propriety of another emission. Indeed, as early as 1761 the scarcity of small bills occasioned so much inconvenience in making change that Nathan West, a well-known business man, had printed promissory notes of denominations ranging from sixpence to half a crown, which were made redeemable in silver on demand, at his stores, his house, or the places of business of Robert Couden and Nathan Hammond, merchants of Annapolis. In the advertisement announcing this fact to the public, West offered to withdraw his notes as soon as the legislature or a society of gentlemen should make small money.[1]

By the time the assembly met in the spring of 1762, so much of the paper money had been withdrawn from circulation by persons who were holding it in anticipation of its rise in value and its redemption, and by the taxes imposed by the £40,000 act of 1756, that a law was passed allowing the payment of those taxes in gold and silver as well as in paper.[2] In July an attack was made upon the paper currency office by "some person or persons in want of cash" who tore away some of the bricks and broke the outside shutter and the glass of one of the windows, but did not succeed in forcing their way in. The writer of the account adds for the reassurance of the public, or perhaps for the instruction of future intruders, that the commissioners have since strengthened the office so much that nobody can now break into it "except they take away bodily either a gable end or a side of the house."[3] While this robbery might of course have occurred

[1] Maryland Gazette, August 27, 1761, No. 851.
[2] Session Laws, March, 1762, lib. HS., pp. 425–426.
[3] Maryland Gazette, July 15, 1762, No. 897.

at any other time, still, coming just when it did, it may possibly be taken as another indication of the scarcity of money of all kinds.

Since specie was, as always, very scarce, it was quite apparent to everyone that the currency of the Province would, after 1765, be reduced to the same condition in which it had been before 1733. Daniel Dulany thought that even less gold and silver would come in now than formerly because the cruisers stationed on the coast of North America to enforce the navigation acts effectually prevented the illegal trade with the northern colonies from which some specie had hitherto been drawn.[4]

That the subject was considered very important and was much talked about is apparent from the fact that it found its way into the Maryland Gazette, which is remarkable at this time for the absence of discussions of current topics from its columns. In 1762 one who signed himself Zedekiah Hommony, Planter, suggested that £150,000 be issued and that £3 be given to each of the fifty thousand taxables in the Province. This money was to be repaid by them in twenty equal installments of 3s. to be assessed annually in the public levy. The amount thus paid in was to be lent out each year and the interest earned by this means was to be used to defray the expenses of government and lighten taxation. The bills were to be redeemed in twenty years in specie.[5] In 1763 also appeared a list of queries the object of which was to prove that there would always be a scarcity of specie as long as the balance of trade remained unfavorable to the Province, and that if internal commerce was not to stagnate, the only way to avoid issuing paper money would be to borrow of Pennsylvania, which would cause a great loss to the people of Maryland.[6] This seemed to be the opinion that generally prevailed in the Province, for I have found only one record of a dissenting voice, and that was Colonel Lloyd,

[4] Daniel Dulany to Calvert, September 10, 1764, Calvert Papers.
[5] Maryland Gazette, May 13, 1762, No. 888.
[6] Ibid., September 15, 1763, No. 958.

who thought that paper money would drive out what little specie yet remained in circulation.[7]

When the time came for the assembly to act in the matter, however, the friends of paper money found a serious obstacle to a new emission in the opposition of the British Parliament. Many of the colonies, especially those in New England, had issued large quantities of paper money which had become almost worthless because of the lack of adequate funds to redeem it. As it was declared legal tender for all debts, past and future, for sterling as well as for current money, the merchants of Great Britain suffered heavy losses, and in consequence complained of the matter to the House of Commons. That body in 1740 and again in 1749 asked the Board of Trade for information as to the amount and tenor of the bills in circulation in each of the colonies, what funds were pledged to redeem them, how much they were depreciated, and what would be their value in sterling. Upon receipt of this information the House each time reported to the king that the paper of the colonies was a great detriment to the commerce of the kingdom, and in 1751 passed a law forbidding further issues in New England. The king gave very positive instructions to the governors of the crown colonies not to allow any more paper money to be issued, and the Lords of Trade strongly admonished the governor of Maryland to pay due regard to the opinion of the House of Commons in this matter.[8] Lord Baltimore, who was very anxious to avoid giving the Crown any pretext for interfering in the affairs of his government, reinforced this admonition with very definite instructions to his governors that they should permit no law concerning the paper currency to pass without sending it over for his perusal, as this was necessary to protect the commerce of Great Britain.[9] During the French and Indian War, how-

[7] Sharpe to Calvert, December 21, 1765, Letter Book IV, p. 145.

[8] Lords Commissioners of Trade to Ogle, August 19, 1740, Council Proceedings, October 17, 1740, Archives, vol. xxviii, pp. 236–237.

[9] See instructions to Ogle, Bladen, and Sharpe in Calvert Papers. Also Additional Orders and Instructions to Thomas Bladen, in Council Proceedings, June 13, 1744, Archives, vol. xxviii, pp. 329–330.

ever, the addition of paper money to that already in circulation was winked at by the governors because it seemed the only way in which the colonies could be prevailed upon to contribute to the common defense, and even Maryland, which had hitherto been so conservative, emitted £34,000 and was only prevented from issuing from £30,000 to £60,000 more by the quarrels of the two branches of the legislature. In the course of the general reformation of the colonial system soon after the conclusion of peace, paper money was one of the subjects which came under the eye of the House of Commons, which, in 1764, again asked for information as before. The result of this inquiry was a very stringent law forbidding the colonies to issue any more bills of credit as legal tender for debts, or to postpone the redemption of those already in circulation beyond the time set in the acts for issuing them; declaring any law or resolution of a colonial assembly for the purpose null and void, and penalizing any governor or member of a council who should assent to such a law with a fine, dismissal and disqualification to hold any other public office in the kingdom.

As the legal tender provision had been depended upon to uphold the credit of the paper money, this act amounted in the cases of most of the colonies to a prohibition of further issues. It was at first so regarded in Maryland, but while the assembly was in session in the fall of 1765 some of the members of the Lower House discussed with Governor Sharpe a plan to emit bills of credit for ten years on the security of the stock of the Bank of England belonging to the Province, and to put them into circulation by paying the public debt with them. The governor, Lord Baltimore, and his secretary all approved of the plan because paper money based on this stock would have practically the same backing as the notes of the Bank of England, would not need the legal tender provision, and hence would not be liable to the objections raised by Parliament to former emissions. Governor Sharpe said that the act of Parliament would be an advantage to Maryland, for the colonies whose practices had

brought paper money into disrepute could no longer depreciate the bills of those which provided good funds for redemption.[10]

This plan was reported to the Lower House by a committee appointed to decide what should be done with the bank stock, the gold and silver in the loan office, and the money in the hands of the treasurers, and what would be the best means of sustaining the trade of the Province.[11] A bill for the purpose would probably have been framed had not the two houses been engaged in a protracted quarrel about the journal of accounts. This quarrel had its origin in an objection of the Lower House to paying extra charges of the Council in 1739 and made its appearance thereafter every now and then in the form of demands that the Lord Proprietor pay the Council or its clerk, or that the Council give an account of its expenditures to the representatives of the people who had the control of their money.[12] At length the Lower House refused to give any allowance to the clerk unless the Upper House accounted to them for the services for which the money was paid, so that they might decide and allow what they thought reasonable. This the Upper House would not do, so that the journal of accounts was not passed.

For seven years this deadlock remained unbroken, though many messages were exchanged. No public debts were paid, not even the allowances to the militia which, on account of the war, were very large. At length it was reported in 1766 that a mob was coming to Annapolis to force the assembly to come to some agreement. Although nothing happened, both houses realized that the public was aroused. Soon afterwards, therefore, the Upper House proposed that the public debt be paid, except the money due to the members of the Upper and Lower Houses and the clerk, and that each house have money for an agent to appeal to the king in council for

[10] See note 7. Hammersley to Sharpe, March 22, 1766, Archives, vol. xiv, pp. 282–283.

[11] Lower House Journal, lib. 52, November 20, 1765, p. 283; November 28, pp. 293–294.

[12] N. D. Mereness, Maryland as a Proprietary Province, p. 368 ff.

a decision of the matter in dispute. The Lower House felt that this would be taxing the people to fight against their own interests, but in a conference between committees of the two houses proposed that bills of credit be issued to pay the debt and to appropriate £1,500 with which to pay the agent of the people for three years, and that the allowance to the clerk be given to the treasurers to be lent out at interest pending the decision of the king. This the Upper House of course refused, suggesting, however, that at all events the public debt be paid with the exception of the clerk's allowance which should be held as the Lower House had proposed, and that either both houses have money for an agent, or else that each house raise its own money privately. The Lower House accepted the latter alternative, and the bill was finally passed.[13]

In accordance with a recommendation of the committee of the Lower House of 1765 mentioned above, an act of that year had directed that the money in the loan office and the treasury be invested in capital stock of the Bank of England[14] so that the Province now owned £26,800. This stock, which was considerably above par, was by the act of 1766 pledged as security for the bills of credit issued, which amounted to $173,733,[15] at 7s. 6d. current money and 4s. 6d. sterling per dollar, equal to £65,149 17s. 6d. currency and £39,089 18s. 6d. sterling. The Lord Proprietor or the governor was to appoint two commissioners to issue the new money, and they were required to pay any claims contained in the journal of accounts that were presented to them between February 21 and June 10, 1767. After a committee of both houses of the assembly had examined their proceedings, their duties were to end and they were to turn over the keys of the office and the iron chest where the money was kept to the president of the Upper House and the speaker of the Lower. Any money that was still due on the journal of accounts was to be paid

[13] Lower House Journal, November 19–21, 1766, pp. 454–461; also lib. HS., pp. 663–665.

[14] Session Laws, November, 1765, lib. HS., pp. 587–590.

[15] The dollar of American currency before 1789 was the Spanish mill dollar equal to 4s. 6d. sterling, 7s. 6d. currency.

by a joint committee while the assembly was in session, and torn and defaced bills were to be replaced by the same committee. Some time between March 25 and June 25 the Lord Proprietor or the governor was to appoint a commissioner to receive the bills of credit and to draw bills of exchange on the trustees in London to redeem them. The usual penalty of death without benefit of clergy was imposed for counterfeiting. In order that this law might not conflict with the act of Parliament of 1764, the following clause was inserted:

> And be it further enacted . . . nothing herein contained shall extend or be construed or taken to make any tender of the said bills of credit in discharge of any contract whatsoever, lawful except such contracts as shall or may be made expressly and specifically for, or for the delivery of such bills of credit.[16]

No objection was made to this act either by Lord Baltimore or the British ministry, and in spite of the express declaration that the bills were not legal tender, they were received with great favor not only within the Province, but outside as well. Governor Sharpe wrote that he understood that one of the principal merchants of Philadelphia, knowing on what security they were emitted, was willing to take them at an equal value with gold and silver.[17]

The journal of accounts amounted altogether to $150,769 and the office expenses to a little over $3,330, so that about $19,720 remained unappropriated.[18] Some of this was used in 1768 by the assembly to pay several persons for services during the late war, to reimburse Governor Sharpe for certain supplies given to the Indians, and to purchase some land from the Nanticoke Indians, and some for a gift to Robert Eden, the new governor, who was the Lord Proprietor's brother.[19] Though the newspapers are silent about this emission because the little space allowed for discussions of public questions was taken up by the controversy with the mother

[16] Session Laws, November, 1766, lib. HS., pp. 658–670, especially p. 670.
[17] Sharpe to Baltimore, December 7, 1766, Letter Book IV.
[18] Lower House Journal, lib. 52, June 22, 1768, pp. 547–549.
[19] Ibid., lib. 52, June 22, 1768, pp. 545–546; Session Laws, May, 1768, cap. 7; November, 1769, lib. HS.–RG., p. 5.

country, it was evidently considered quite inadequate to supply the wants of trade. Governor Sharpe wished to see the assembly put a small duty on rum imported and on tobacco exported so that the bank stock could be increased enough to support a further emission of £30,000.[20]

On November 28, 1769, the Lower House went into a committee of the whole to discuss the advisability of another emission, and the next day resolved that it would be expedient for the trade of the Province to emit $300,000 and to circulate it by loans on real and personal property. The act was brought in on December 6, passed by the Lower House on the 12th, by the Upper, without amendments, on the 14th, and received the assent of the governor on the 20th.[21] By it two commissioners were to be appointed by the governor, and to hold office on good behavior, or at his pleasure. They were to take charge of everything relating to the emission of 1766, and they were to have printed $318,000 and to sign $300,000 of this, evidently keeping the rest to replace torn bills. These new bills were to be lent in sums not less than $100 for which bonds taken with one or more securities, who were required to have real estate in the Province free from all incumbrances to double the value of the principal to be secured. As money was appropriated at this session for building a state house, it was provided in this act that whatever was needed above the sum in the treasurers' hands should be contributed by the commissioners for emitting bills of credit. As it was thought that £24,000 of bank stock would be enough to sink the emission of 1766, and as the Province owned £34,000, the act of 1769 directed the London trustees, Osgood Hanbury, Sylvanus Grove, and James Russell, to sell the rest at not less than fifty per cent above par, and empowered the commissioners in Annapolis to draw bills of exchange and lend them to the people of Maryland on interest, just as bills of credit were lent. The funds arising from

[20] Sharpe to Hammersley, June 9, 1767, Letter Book IV.

[21] Lower House Journal, lib. 54, November 28, 1769, p. 12; November 29, p. 12; December 6, p. 20; December 12, p. 25; December 20, p. 62.

ordinary and peddlers' licenses were to be paid into the loan office by the sheriffs and to be lent out also. The principal and interest of all loans was made payable in gold, silver, or bills of credit of either emission, and during the last year that the emission was to circulate, in bills of exchange. Bills of credit of this emission, as well as all gold and silver thus paid in, were to be lent out again, but bills of the emission of 1766 were to be kept in the office for destruction by a joint committee of the assembly, so that this issue would be gradually withdrawn from circulation. It was probably intended that all the money handled by the loan office should be considered as a general fund for sinking the bills of credit. They were to be redeemed between October 10, 1781, and April 10, 1782. To prevent the bills of credit from depreciating the commissioners were forbidden to lend any when the exchange was below 4s. 6d. per dollar.[22]

Money must have been in great demand, for the loan office books, when examined by the joint committee of the assembly, showed that the commissioners had lent bills of credit, bills of exchange, and gold and silver to the value of £83,407 14s. 7d. sterling before the 30th of October, 1770.[23] We cannot tell much about the loan office after this because the original accounts are not in existence, so far as I can learn, and the reports to the assembly are either missing altogether, or else are very confused. An act of 1773 ordered the commissioner to buy stationery for the assembly which was to cost £30 sterling, and another of the same year provided for repairing the paper currency office and paying for it out of the interest arising from loans, but unless some money was spent on the state house, this was the only use made of the emission for finance, and surely it was justified by the amount of money which the Province had put into the office.[24]

In 1771 the Lower House sent up another bill for emitting paper money, but the two houses were on very bad terms at

[22] Session Laws, November, 1769, lib. RG., pp. 13–29.
[23] Lower House Journal, lib. 54, October 30, 1770, pp. 131–132.
[24] Session Laws, June, 1773, lib. RG., pp. 178–179; November, 1773, lib. RG., p. 283.

this time, and so, when the Upper House offered amendments, the Lower House insisted that they alone had the right to draw up money bills, which the Upper House could only accept or reject.[25] It was not until 1773, therefore, that more bills of credit were issued. The act of that year ordered the commissioners of the loan office to have printed $480,000, £130,000 currency and £78,000 sterling, $266,666-2/3 to be loaned to the counties for public purposes and to "supervisors" for building a road westward from Fort Frederick, $133,333-1/3 to replace torn bills, and $80,000 to be at the disposal of the assembly. These bills were to be redeemed between October 10, 1785, and April 10, 1786. With the exception of the clause to guard against depreciation, which is omitted from this act, it is very much like that of 1769.[26] Some of the unappropriated $80,000 was used to pay the journal of accounts of 1773 and of 1774.[27] A further appropriation of £1,455 2s. 8d. sterling was taken from this fund to pay for covering the state house with copper instead of slate as had been originally planned.[28] In 1774 some money was taken from the treasurers and some was raised by a tonnage duty to cooperate with Virginia in erecting and maintaining a lighthouse at Cape Henry. These funds were to be managed by the commissioners of the loan office, who were to use some of the bills of credit for this purpose, if it should be needed before the tonnage duties were paid.[29]

In spite of the absence of legal tender clauses in the acts of 1769 and 1773, and although there must have been a great deal of paper money in circulation at this time, it did not depreciate, according to later accounts in the newspapers of 1786 and in an address of the House of Delegates to the

[25] Lower House Journal, lib. 53, November 5, 1771, p. 79; November 8, p. 92; November 16, pp. 115–116; November 18, pp. 122–123.
[26] Session Laws, November, 1773, lib. RG., pp. 283–295.
[27] Ibid., November, 1773, lib. RG., pp. 311–312; March, 1774, lib. RG., p. 356.
[28] Ibid., November, 1773, lib. RG., pp. 310–311.
[29] Ibid., November, 1773, lib. RG., pp. 298–300.

people in 1787,[30] but remained at par with specie during the continuance of the proprietary government. Indeed, it was not until August, 1776, when it became apparent that the States intended to sever their connection with the mother country, that they began to lose favor.

When the time came for redeeming the emission of 1766–1777, the war for independence was in progress, the old government had been overthrown, and the bank stock which constituted the sinking fund was in the country of the enemy. Nevertheless the House of Delegates passed a bill displacing the old commissioners and appointing new ones who were to draw the bills of exchange on London as the act of 1766 directed. The Senate thought that the bill should be amended to allow the old commissioners to act because this might induce the trustees in charge of the bank stock to honor the bills of exchange, and also wished the holders of the bills of credit to be given state bills of credit instead of the bills of exchange if they preferred. These amendments were rejected by the House of Delegates and there the matter was allowed to rest for the time.[31] But in 1779 an act was passed calling all these bills in before June 1, 1780, appointing the Treasurer of the Western Shore a commissioner to redeem them, and offering the holders bills of exchange renewable as often as necessary or certificates bearing an annual interest of six per cent and discountable for taxes and other debts due the State.[32] Under this act bills of exchange were drawn for only £1,825 12s. 3d. sterling, and certificates for £418 5s. 5d.[33] The bills of exchange were, of course, not honored in London, but a resolution of 1806 provided funds for redeeming them and the certificates also, and they were gradually brought in and destroyed. The last mention of an appropriation for the purpose in the treasury was in the report of the Commit-

[30] House of Delegates Votes and Proceedings, November 26, 1798, p. 31.

[31] House of Delegates Journal, lib. 58, April 16, 1777; April 18; April 19.

[32] Session Laws, November, 1779, cap. 38.

[33] House of Delegates Votes and Proceedings, Dec. 1, 1783, pp. 39–41; Scharf Collection, boxes 16 and 21.

tee of Claims of the House of Delegates in 1821.[34] Though the general form of the report is the same for several years after this, no further mention is made of this money.

In 1777 the loan office was taken from the old commissioners and given to others who were to have the same powers. Many of the bonds were long over due and some persons declined to pay them in depreciated paper as the legal tender act of 1777 permitted them to do.[35] In recognition of this fact an act of 1789 permitted them to "install" these bonds so that they would be paid by 1793, allowing them the interest up to December 1, 1789, if they accepted the offer.[36] Even this installed debt was not paid promptly, however, and on November 9, 1801, the agent who had charge of collecting the debt due the State reported that £354 2s. 8d. was due on installed bonds, and £710 16s. 10d. on uninstalled.[37] At about the same time that the loan office was taken from the old commissioners, the money that was in the iron chest which should have been used to sink the emissions of 1769 and 1773 was taken for the use of the State.[38] For this reason the House of Delegates tried in 1779 to redeem these bills along with those of 1766, but the Senate would not agree to this. In 1780, therefore, an act was passed calling these and some other issues out of circulation before April 1, 1781, and redeeming them at the rate of forty dollars for one of new Continental money.[39] After the time set for redemption there remained in the treasury £8,850 for the purpose, which was not used but was kept until November, 1798, when it was finally burnt.[40] Some of the old colonial bills were held in England by speculators who had bought them up at low prices,

[34] House of Delegates Votes and Proceedings, December 6, 1821, p. 10.
[35] House of Delegates Journal, lib. 58, April 16, 1777.
[36] Session Laws, 1789, chap. xlvii.
[37] House of Delegates Votes and Proceedings, November 9, 1801, p. 14.
[38] House of Delegates Journal, lib. 58, November 27, 1777.
[39] Session Laws, October. 1780, cap. 5.
[40] House of Delegates Votes and Proceedings, January 16, 1787, pp. 85–92; Maryland Gazette or Baltimore Advertiser, November 28, 1786, vol. iv, No. 237.

hoping that the government would confiscate the Maryland bank stock and redeem them, but their claim was not pushed when the stock was transferred to the State.[41]

All the colonial paper money disappeared from circulation in 1781. The first emission had been redeemed at par, the other two at $40 for one dollar. The Revolution was the only thing that prevented all the bills from being redeemed at their face value, however, for the funds provided for this purpose were ample and were steadily increasing, and the assembly was not using them for public finance to a dangerous extent. As a colony Maryland had solved the problem of a paper currency.

[41] Blue Series II, Nos. 106–107. Papers Relative to the Maryland Stock in the Bank of England.

CHAPTER VI

Early Paper Money of the Revolution

We have seen how the Province of Maryland, after faithfully redeeming her first emission of bills of credit which had been founded upon an uncertain sinking fund, and had consequently depreciated like those of the other colonies, was able, by the confidence this act had inspired and by pledging a definite fund as security, to float at par with specie, and without the aid of a legal tender clause, all the money she needed. We now come to a discussion of the issues made by the State during the Revolution, which may be divided into two distinct groups.

Of the earlier issues or those before 1780, we know comparatively little, probably because they were redeemed during the war when men felt that other matters were far more important than keeping careful accounts of masses of almost worthless paper. The later issues were redeemed in the years immediately following the war when the energies of the statesmen of Maryland were bent on establishing her finances on a firm basis.

Soon after the commencement of hostilities at Concord and Lexington, a convention elected by those qualified to vote for delegates to the general assembly met at Annapolis and, on behalf of Maryland, pledged arms and men in support of the Colonial cause. It remained, however, for another convention which met in July, 1775, to make provision for carrying on the war. This convention overthrew the old government and established a temporary one which it embodied in a document called "The Association of the Freemen of Maryland." This paper was to be signed by every one in the Province. The chief executive power was vested in a Council of Safety, and the local authority in committees of observation in each of the counties. The association also authorized the issue of

$266,666-2/3—£100,000—in bills of credit for the defense of the Province, for promoting and encouraging the manufacture of saltpeter, for erecting a powder mill, and for other similar purposes.[1] The bills were to be printed under the direction of two supervisors, and each was to be signed by each of sixteen persons appointed for the purpose. The treasurer of the Eastern Shore was to hold one-fourth, and the treasurer of the Western Shore three-fourths of these bills, subject to the order of the Council of Safety. The convention pledged the faith of the people of Maryland to redeem this money by taxes or other legislative provisions, in gold and silver at the rate of 7s. 6d. per dollar, not later than January 1, 1786.

The bills were crudely made and easily counterfeited, and it was probably for this reason that, when another convention met in December, 1775, it decided to add to the sum it intended to emit for current expenses enough money to redeem the previous issue. Accordingly, it ordered $535,111-1/9 or £200,666 13s. 4d. to be printed, $266,666-2/3 for this purpose; $268,444-5/9—£100,666 13s. 4d. to be placed at the disposal of the Council of Safety.[2] The pledge of the former convention as to redemption was repeated, and the time was the same for the new bills as it had been for the old. The deputies of Maryland in Congress were requested to have plates for this new emission made in Philadelphia. The Council of Safety was at this time so hard pressed for money that it wrote to the deputies February 24, 1777, that if they did not soon send down the plates and paper the treasury would be empty.[3]

Meanwhile Congress had also resorted to bills of credit as one means of defraying the costs of the war. The first issue of $2,000,000 had been authorized in June, 1775, and had come from the press in the late summer. Before that time, however, it had been increased to $3,000,000, and other issues

[1] Convention Journal, August 14, 1775, Archives, vol. xi, pp. 24–27.
[2] Ibid., January 13, 1776.
[3] Council of Safety Correspondence, No. 24, Archives, vol xi, p. 179.

soon followed. As Congress had no power to tax the people, it assigned to each State a quota of these bills for redemption. In case any State failed to redeem its quota, the others were to be responsible for it. These bills could be used to pay the civil and military officers of the government, and to buy articles in the States, but for European goods Congress must have gold and silver. It therefore ordered the States to collect as much as possible, offering in exchange for it Continental paper money. In obedience to this order the Council appointed persons in each county to receive gold and silver. As most of these committees reported that the people were not willing to give up their specie unless they could receive paper in exchange for it at once,[4] and as no Continental money was sent down until April,[5] the Council directed the treasurers on February 21 to give Maryland bills of credit to any one who would take them instead. The committee for Calvert County reported that most persons were asking for Continental money, and indeed it was received with great favor everywhere, possibly because it could be used in any of the States, while the Maryland currency was limited in its circulation.[6]

The state emissions were increased by another of $535,-111-1/9 also redeemable in January, 1786, which was authorized by the convention which met in August, 1776.[7] As it had been found necessary to use $120,000 of the money appropriated by the convention of December, 1775, to redeem the bills of the former convention, this sum of the new bills was set aside for the purpose. This last emission brought the amount of the money issued by Maryland since 1775,

[4] Council of Safety Journal, February 21, 1776, Archives, vol. xi, p. 177.

[5] Ibid., April 30, 1776, ibid., vol. xi, p. 394; Makall and others to Council, February 20, 1776, Council of Safety Correspondence, No. 22, Archives, vol. xi, p. 176.

[6] Council of Safety Correspondence, No. 22, February 20, 1776, Archives, vol. xi, p. 176.

[7] Convention Journal, November 9, 1776. How much of this money was redeemed we have no means of knowing. A report to the convention by the committee of claims entered on the Journal of November 11, 1776, shows that up to that time about £39,000 had been burned.

exclusive of the issue that was redeemed, to $1,070,222-2/9—£401,333 6s. 8d. Besides this there were in circulation the large emissions of Congress and about £295,000 issued by the old government of Maryland. As the bank stock for the redemption of the latter was in the hands of the enemy, and as no definite funds had been pledged for the rest of this money, it is not surprising that it began to depreciate in August, 1776, after the States had definitely decided to sever their connection with Great Britain.[8]

In spite of this, however, the expenses of the government were so great and the assembly was so much in need of money, that it felt constrained to include in the supply bill for 1777 a clause empowering the governor and Council to emit any sum not exceeding $300,000, using the plates made for the Convention money. This power, however, they were strictly enjoined not to exercise if money enough to supply the demands on the treasury could be obtained from taxation or from Congress. There is no evidence that any money was emitted.[9]

To prevent depreciation, Maryland, like Congress and the other States, passed at the first meeting of the assembly in 1777 "An Act to Make the Bills of Credit Issued by Congress and the Bills of Credit Emitted by Acts of Assembly and Resolves of the Late Convention a Legal Tender in all Cases." By it the bills were to be accepted for all debts and contracts, past as well as future, at their face value for current money, or at an advance of 66-2/3 per cent for sterling.[10] Any one who refused to sell articles for bills of credit or who offered goods at a lower price if paid for in gold and silver was to be fined the value of the goods so offered. The State was to take these bills for taxes and public dues of all kinds.

An act for punishing certain crimes and misdemeanors, also passed at this time, established the customary penalty of death without benefit of clergy for counterfeiting either State

[8] Scharf Collection, box 22.
[9] Session Laws, February, 1778, GR., pp. 185–200.
[10] Scharf Collection, box 22; Session Laws, February, 1777, lib. GR., pp. 34–37.

or Continental paper. Counterfeiting was practiced during the war both by dishonest Americans and by the enemy with a view to discrediting the American issues.[11] The act for imposing a tax for 1777 and 1778 to raise the money required by Congress contained two provisions intended to raise the credit of the paper money.[12] Any money that remained after the requisition of Congress was paid was directed to be reserved to sink the state emissions. Besides, any person who would pay into the treasury in advance not less than fifty pounds in bills of credit was to be given a certificate bearing six per cent interest which he might use to pay this tax. Had the money thus brought in been retained in the treasury, this last provision might have helped to increase the value of the paper, by decreasing the amount in circulation; but judging from the straitened condition of the State's finances at this time, one is led to the belief that this money was again used. Thus both the certificates and the money were out, and the money in circulation was increased. A similar provision with regard to certain emissions of Congress was placed in a supplementary act for raising supplies for the year 1779.[13]

All these measures, however, proved powerless to stop the depreciation of the paper money. The legal tender act did much injury by giving dishonest men an opportunity to pay off their debts in worthless paper. Almost every one who mentions this period during the paper money controversy of 1786 speaks of the injustice of this act and the hardship which it caused. As might be expected, the depreciation of the currency and the disturbed state of the country encouraged speculation of all kinds. One practice against which several acts were passed was that of forestalling and engrossing food and other necessities of life, "by means whereof, and by the ill practices of speculators," says the act of 1779, "our currency is depreciated and the State brought near to bankruptcy."[14]

[11] Session Laws, February, 1777, GR., pp. 59–64.
[12] Ibid., February, 1777, GR., pp. 64–77.
[13] Ibid., March, 1779, chap. xi.
[14] Ibid., July, 1779, chap. xvii.

The statesmen in Congress fully appreciated the evils arising from such large and diversified issues of paper money, and several times in the fall of 1777 recommended to the State that they should stop issuing bills of credit and call in those they had in circulation as speedily as possible so that Congress might have the exclusive control of the paper currency. In December, 1776, the States were asked to call in all paper money issued before April 19, 1775, and to set a time after which it should be irredeemable. Maryland did not issue any more money until 1780. As we have seen, she called in the emission of 1766 in 1779 and the other two Colonial issues the next year. In 1779 Congress decided that something must be done to redeem its own paper money, and the plan that was then formed was embodied in an act of March 18, 1780. This act directed the States to bring in $15,000,000 monthly from January 1, 1780, to April 1, 1781, and assigned to each a definite proportion of this amount. If Continental bills of credit were paid in, they were to be destroyed; if specie, it was to be used to redeem those in circulation. One dollar of specie was to be equal to forty paper dollars. As fast as a State brought in old bills or specie, it was to receive new bills equal to one-twentieth of the old bills redeemed. For sinking these new bills the State was to provide adequate funds and was to have six-tenths of them for its own use, the remaining four-tenths being reserved for the use of Congress. While the plan was being considered in Congress, the House of Delegates had proposed to raise Maryland's quota by the confiscation and sale of British property, but as the Senate would not agree, the plan had to be given up.[15] As it was felt that so large a sum could not be raised by taxation, the assembly decided to use the six-tenths of the new bills which the State was to receive to exchange for the old Continental currency. During April and May, 1780, a bill for this purpose was discussed by the two houses, but the Senate refused to pass it finally because

[15] House of Delegates Journal, lib. 59, December 15, 20, 21, 23, 30, 1779.

it contained a legal tender clause of which they disapproved, and because they deemed the insertion of such a clause contrary to article XI of the Constitution which forbade the House of Delegates to annex to a money bill anything "not immediately relating to and necessary for the imposing, assessing, levying, or applying the taxes or supplies to be raised."[16]

"An Act for Sinking the Quota Required by Congress of this State of the Bills of Credit Emitted by Congress," passed at the June session of 1780, gave the citizens of the State until January 1, 1781, to bring in these old bills for redemption, limiting each person to $110 for every pound's worth of property he had assessed in the State. In exchange for $200 of these bills, the holders were to receive six dollars, that is, one dollar for every $33-1/3 brought in in new bills. After January 1 any one might bring in a sum not less than $200 to be redeemed at the same rate. As soon as $20,540,000, which was Maryland's entire quota, had been received, redemption was to cease.[17] At this session, too, a step was taken toward repealing the legal tender act of 1777 by the passage of a law declaring that neither gold, government, convention, nor Continental money should be a tender in law or equity for any debt, promise, contract or agreement made in future.[18]

November 7, 1780, a committee of the House of Delegates, appointed to inquire into the state and credit of the paper money, reported that in spite of the fact that Maryland was offering to redeem old bills at a rate considerably higher than that established by Congress, only a small number had been brought in, and that both Colonial and convention money had fallen as low as eighty dollars for one dollar of specie.[19] It expressed alarm at the enormous debt that would pile up for

[16] House of Delegates Votes and Proceedings, May 16, 1780, pp. 176–179.
[17] Session Laws, June, 1780, chap. viii.
[18] Ibid., June, 1780, chap. xxviii.
[19] House of Delegates Votes and Proceedings, November 7, 1780, pp. 11–12.

the State if the ratio of 33-1/3 to 1 should be maintained after January 1, 1781, and recommended that both State and Continental bills should be called in and redeemed at forty dollars for one dollar, the rate fixed by Congress. This action was also urged by another committee which reported on the same day.[20] As it appeared upon inquiry that only $115,266-8/9 had been brought in, it was decided to use the six-tenths of new Continental issue belonging to the State to redeem Colonial and convention money also. Citizens of the State were given until March 1, 1781, to bring in old bills and from this time until April 1 any one might bring them in. All bills, Continental as well as State, were henceforth to be redeemed at the rate of forty dollars to one dollar.[21] After March 20, 1781, none of the bills called in were to be a legal tender; thus the pernicious legal tender act of 1777 was entirely repealed.

To bring in as many old bills as possible, this act allowed those who were indebted to British subjects to pay what they owed into the treasury where it was to be exchanged for new money, and held until claimed by the creditors. With the same object in view an act to raise supplies for 1781 allowed the collectors of the taxes to receive old bills until March 20 and bring them to the treasury to be exchanged for new ones.[22] Nevertheless the old money came in very slowly. A report submitted at the April session, 1783, shows that at that time $6,913,813-1/3 had come in,[23] and a final report dated February 27, 1792, places the figure at $6,922,013-1/3 paid into the Continental treasury by December 31, 1783.[24]

Thus after having made every effort that could be reasonably expected to sink her quota of the Continental paper, Maryland still owed over $13,500,000. As for the convention money, out of the total of $1,070,222-2/9 emitted, only

[20] Ibid., November 7, 1780, p. 11.
[21] Session Laws, October, 1780, chap. v.
[22] Ibid., October, 1780, chap. xlviii.
[23] Scharf boxes 31 and 40.
[24] Scharf box 19.

$146,872-35/90 was redeemed.[25] When the time for exchanging old bills had expired, there remained in the treasury for that purpose £8,850, which was finally burned by order of the assembly in November, 1798.[26] With the redemption of the State and Continental issues of the early Revolution our chapter closes. This period was characterized by extremely large issues with no security save the pledged faith of a struggling government that they would at some distant day be paid at par. Serious depreciation ensued, and there followed an attempt to support the credit of bills even at the expense of justice by legal tender provisions. The faith of the State had to be broken by redeeming them at only one-fortieth of their original value.

[25] Scharf box 22; House of Delegates Votes and Proceedings, June 22, 1781, pp. 131–133.

[26] House of Delegates Votes and Proceedings, November 26, 1798, No. 2331.

CHAPTER VII

The Issues of the Later Revolution

By the end of April, 1781, the redemption of old State and Continental money was regarded as accomplished in Maryland, and though a considerable amount of it still remained in the hands of the people, its circulation, being no longer sanctioned by law, was practically stopped. But before this time two new emissions, smaller and with definite provisions for redemption, had come to take the place of the old ones, and another was to follow in a few months.

The act of Congress of March 18, 1780, in addition to calling in old Continental money, provided for a new emission of bills, not to exceed one-twentieth of the old ones redeemed. These new bills were to be distributed among the States in proportion to the payments made by them for redeeming old money. Four-tenths of the sum emitted was to be placed at the disposal of Congress, the other six-tenths was given to the States for their own use. Each State was required to provide funds for redeeming one-sixth of the new bills it received annually, so that the entire emission would be withdrawn from circulation by 1786. In case any State should not be able to do this, the faith of the United States was pledged for the redemption of its quota, but to fix responsibility upon the individual States, the bills which each received were to be signed by state appointees as well as by the Continental loan officer. The new emission was to be redeemed in specie, and to make it still more acceptable to the people, it was to bear interest at five per cent payable either annually or at redemption at the option of the holder.

The general assembly of Maryland passed at the June session, 1780, a law for putting the act of Congress into execution in the State.[1] It offered new money in exchange for the

[1] Session Laws, June, 1780, chap. viii.

old and appointed persons to sign the new bills. To provide a sinking fund a tax of one bushel of wheat, twenty-five pounds of tobacco, or one dollar specie was laid on one hundred pounds of property for six years. From the value of the dollar this tax is known as the seven shillings sixpence fund tax. Export duties were placed on tobacco and bar and pig iron, import duties on liquor, negroes, coffee, and loaf sugar, tonnage duties on all vessels, and excises on home-made liquor, marriage and ordinary licenses and billiard tables. A fine was imposed on every owner of property to the value of two hundred pounds who married without license and fees were charged for commissions and letters of marque and reprisal. To this fund were also added fines, forfeitures and amerciaments, including estates forfeited for treason. These taxes and duties were to be paid either in specie or the bills of this emission and the latter were to be destroyed.

At the same session the assembly also passed an act for a new state emission, although as yet no steps had been taken to call in the Colonial and Convention paper.[2] By it the treasurer of the Western Shore was empowered to draw bills of exchange to the amount of £35,000 sterling on either the old trustees in London, if they still held the bank stock, or on their successors, appointed under the act of 1779, if it had been transferred to them. Bills to the amount of £5,000 were to be used to buy blankets and other things which the state troops needed and which could be procured only in Europe and the West Indies. The rest were to be sold for current money at an advance of 66-2/3 per cent or for old Continental money at the rate of forty-five to one. If the old trustees still held the bank stock and would not pay the bills, or were prevented from doing so by Great Britain, their property and that of the Lord Proprietor was to be liable for the amount of the bills protested together with damages, and was to be sold for this purpose. If, on the other hand, they paid the bills, or transferred the bank stock, their property to the value of the sum paid was to be forever exempt from

[2] Ibid., chap. xxiv.

confiscation. After thirty days the governor and council were requested to remit bills of credit for the bills of exchange which had not been sold. These bills were to be issued in dollars, to bear interest at the rate of five per cent, and to be redeemable in specie on or before May 1, 1786, for which the bank stock or, if it should be confiscated by the enemy, the property of any British subject was pledged.

As the members of the House of Delegates thought it unlikely that any bills of exchange would be sold, they resolved to ask the governor and council to be ready to issue the bills of credit at the earliest day allowed by the act.[3] Their expectations were justified, for no bills were sold, and the entire sum of £50,000 or $133,333-1/3 was emitted.[4] Later small bills to the value of £5,400 sterling[5] were struck to furnish change, but as these were issued an equal quantity of larger bills of this emission were destroyed, so that no money was added to the amount in circulation. This emission was referred to as black money, State 1780, or the emission of June, 1780, and must be carefully distinguished from the money issued by Congress in the same year. At the October session, 1780, the House of Delegates appointed a committee to inquire into the state and credit of the paper money. It reported that the Continental money was being taken very slowly by the people, and that the circulation of the State money had almost stopped. This the committee attributed to the immense amount of the old paper that was outstanding.[6]

Accordingly, an act for calling Continental, Colonial, and Convention money out of circulation was passed.[7] Besides the provisions already discussed in the previous chapter, this act directed that if any new Continental money remained, after these emissions had been redeemed, it was to be held to exchange for the state emission of 1780, dollar for dollar,

[3] House of Delegates Votes and Proceedings, July 5, 1780, p. 230.
[4] Ibid., January 3, 1781, pp. 75–76.
[5] Session Laws, October, 1780, chap. xxii.
[6] House of Delegates Votes and Proceedings, November 7, 1780, pp. 11, 12.
[7] Session Laws, October, 1780, chap. v.

and that, in order that there might not be more paper in circulation in the State than the amount recommended by Congress, some of this emission was to be withheld when it was received for taxes. Both Continental State and black money were to be received at their current rate for debts contracted before September 1, 1776, or after that time for gold or silver or sterling. In the case of debts contracted between September 1, 1776, and April 20, 1779, the debtor and creditor were to agree, or, failing to agree, a jury was to determine the real value of the money at the time the debt was contracted, and the debtor was to pay two-thirds of it in new bills. Debts contracted for old bills between April 20, 1779, and June 12, 1780, were to be paid at the rate of forty dollars for one dollar, and future debts were to be discharged agreeable to contract. This was an attempt to equalize the loss to debtor and creditor in the case of past contracts or agreements, while leaving the people free to accept the new money or not in future dealings. The State agreed to take it at its passing value in payment of taxes for the year 1781, that value to be determined by the commissioners of the tax in each county.[8] This proved unjust, however, because the rate differed in different counties, and later acts fixed it first at two dollars, and afterwards at three dollars for one dollar of specie for the entire State.[9]

In order still further to uphold the credit of the state emission, the act for the confiscation of British property pledged that which belonged to Osgood Hanbury, Sylvanus Grove, and James Russell, including the latter's interest in the Nottingham Iron Works, for its redemption.[10] One reason given in the act for the confiscation of British property was that these men who held the bank stock of the State in trust had refused to pay bills of exchange drawn on them for the redemption of the emission of 1766. The act of May session, 1781, made this pledge more definite by ordering the sale of the iron works for specie or black money, for which

[8] Ibid., October, 1780, chap. xxv.
[9] Ibid., October, 1780, chap. xlviii; May, 1781, chap. xxiv.
[10] Ibid., October, 1781, chap. xlv.

bonds, bearing an interest of six per cent, were to be lodged with the Treasurer of the Western Shore. Any one who wished might buy bonds, paying for them with black money, and receiving principal and interest with the same right to recover as the State in case it should not be paid.[11] An act of November, 1781, appropriated any surplus beyond what was needed to redeem black money to the sinking fund for Continental State bills.[12]

The State was at this time passing through a grave financial crisis. The American army in the South was suffering defeat and being driven by Cornwallis across the Carolinas toward Virginia. The invasion of Maryland was considered likely, and the State had not funds to spend for its protection. The taxes amounted to forty-five shillings on every one hundred pounds of property, and the scarcity of money made it necessary to collect them in specifics, such as pork, beef, wheat, flour, and tobacco, as well as paper money.[13] Even the general court adjourned to save expense, but in spite of the exercise of strict economy, it was found necessary to float another emission of paper money.

Realizing that the most stringent measures must be taken to prevent depreciation, the House of Delegates proposed to form an association of all members of the assembly, officers of the Government, and the principal merchants and planters, who should agree to accept this money at par to the value of one-twelfth of their property. But the Senate would not agree to this, fearing that it might deter some persons from giving their support to the emission, and to satisfy them the plan was changed.[14] As finally passed, the act provided for an emission of two hundred thousand pounds, one-fifth to be used for the defense of the State, the rest for the Southern campaign.[15] These bills were to be redeemed between De-

[11] Ibid., May, 1781, chap. xxxiii.
[12] Ibid., November, 1781, chap. ii.
[13] Ibid., October, 1780, chap. xxv.
[14] House of Delegates Votes and Proceedings, June 17, 1781, p. 152; June 19, pp. 157–158; June 20, p. 160.
[15] Session Laws, May, 1781, chap. xxiii.

cember 25, 1784, and June 25, 1785, by means of a sinking fund created by the sale of certain confiscated property especially set apart by this act, and by a tax of 3s. 9d. annually on every one hundred pounds of property in 1782, 1783, and 1784. Bonds taken for the property were to give as security land for double the value of the purchase money, were to be payable in specie or bills of this emission at their passing value, and were to bear six per cent interest. If there were any just claims against the property thus sold, bonds covering the amount of them were to be set aside and not considered as a part of the sinking fund. To insure the passage of the bills at par, subscriptions of not less than one hundred pounds, secured by real property, were to be received from patriotic citizens. These could be paid at any time, but were not due until November 1, 1784. On October 1, 1784, the accounts of the emission were to be closed, and in case the sinking fund was insufficient to redeem the bills in circulation, the proportion of the subscriptions which must be paid in on November 1 was to be announced in the Baltimore and Annapolis papers. The amount paid in on subscriptions was to bear an interest of eight per cent from the day it came into the treasury. At any time while the bills were in circulation any person not a subscriber might pay into the treasury one hundred pounds or more, and receive an interest of six per cent. Such persons were to receive their principal and interest; then the money was redeemed. Interest on subscriptions was to be paid on November 1, 1785, and every year thereafter until the principal was repaid. The State pledged to do this as soon as possible. These bills were to be received for the taxes of 1781 at par with specie.[16]

This currency became commonly known as "red money." An association was formed by most of the subscribers to take the bills at par with specie to the amount of their subscriptions. Meetings were called everywhere to uphold the emission and in some counties committees were appointed to look after it, but in spite of all these precautions to prevent de-

[16] Ibid., May, 1781, chap. xxiv.

preciation, the bills were not favorably received.[17] Three months after they were out, they had fallen a hundred per cent. Christopher Edelen wrote to Thomas Sim Lee from Frederick in November, 1781, that he had received five hundred pounds of this money for which he could get goods worth only one hundred pounds, and Charles Carroll of Carrollton wrote to Gist in October that he understood it was intended to give the new money a credit by making it a tender in all payments which, he said, "will be filling the measure of our iniquity . . . in paper money projects."[18] This plan, however, was not carried out.

The assembly which met in the fall accepted the depreciation of Maryland paper and in the supply bill for 1782 fixed the rate at which it should be received as three dollars of Continental State, two dollars of black, and one pound six shillings of the emission of 1781, "red money," for one dollar of specie.[19] It took steps to raise the value of the money by reducing the quantity in circulation, for it provided that when the two state emissions were received for taxes or for confiscated property, they should be destroyed. Every year the Committee of Claims reported to the House of Delegates the burning of considerable sums of all three emissions. A report in the Scharf collection which was evidently submitted to the assembly shows that there was in circulation on December 10, 1782, of Continental State £46,603 6s. 6d., of black £41,513 18s. 5d., of red £65,825 17s. 7d.[20] It was estimated that when the time came to sink these funds they would stand thus: for Continental State £220,377 13s. 2d.; for black £58,794 5s. 6d.; for red £241,049 4s. 3d. As this would leave a large surplus for red and Continental State money, the assembly decided to repeal the taxes and duties appropriated to the sinking funds but ordered that all arrears

[17] Maryland Gazette, November 21, 1786, vol. lxii, No. 2071.

[18] Edelen to Lee, November, 1781, Maryland Historical Magazine, 1912, vol. vii, p. 320; Carroll to Gist, October 26, 1781, ibid., 1907, vol. ii, pp. 344–345.

[19] Session Laws, November, 1781, chap. iv.

[20] Scharf Collection, box 94.

should be collected.[21] When the time came to redeem red money in December, 1784, there was in circulation, according to a report made by the Intendant of the revenue, only £8,726 19s. 9d. Besides the funds necessary to sink this, there was a surplus of £125,493 13s. 10d.[22] As £7,050 18s. 11d. had been paid into the treasury by subscribers, the Intendant recommended that it should be paid at once, together with the interest of £1,478 4s. 10d. The assembly followed this advice, giving the subscribers, however, the privilege of taking, instead of the money, a certificate for the principal bearing six per cent interest.[23] In November, 1785, the Intendant reported that there remained due to the subscribers only £35 15s. 9d., and that all the red money had been redeemed except £1,832 12s.[24] A little more must have come in later, in payment of taxes, for a resolution of the November session, 1786, and an account in the Scharf Collection dated 1792, give the amount outstanding as £1,718 3s. 6d.[25] This was never redeemed.

The two emissions of 1780 were not redeemed according to contract. After the repeal of the duties and taxes to secure Continental State money, the sinking funds consisted largely of bonds for confiscated property sold. In order that these funds might be ample, the consolidating act of 1784 added a large number of specie bonds to those already pledged,[26] but in 1785 and 1786 the country began to feel very keenly the effects of the war and of an era of spending which followed immediately upon the conclusion of peace. Specie was very scarce, and even paper money was not plentiful. "An act respecting executions against certain public debtors," therefore, ordered that the emissions of 1780, with interest, be taken at par with specie for taxes due before

[21] Session Laws, November, 1782, chap. xxix.
[22] House of Delegates Votes and Proceedings, December 3, 1784, pp. 22–26.
[23] Ibid., December 6, 1784, p. 29.
[24] Ibid., November 22, 1785, pp. 12–18.
[25] Scharf Collection, box 22, and resolution, November session, 1786, appended to Session Laws.
[26] Session Laws, November, 1784, chap. lv.

January 1, 1785, not appropriated to Congress, and that the collectors exchange any specie which they received for these taxes for paper money.[27] Having thus provided in a measure for its redemption, the act ordered that no bonds for black money should be put in suit before July 1, 1786, and no specie bonds,—which, it will be remembered, were pledged for redeeming both emissions,—or bonds for Continental State currency before January 1, 1787. But the debtors on specie bonds were required to pay one-half the debt in specie or black or Continental State money before June 1, 1786. In case the bonds were not paid then, only enough property was to be sold to redeem the money in circulation at the time.

Even this indulgence was not sufficient. A resolution of 1787 allowed the debtors until September 1st of that year to pay their debts, and accepted in addition to specie and Continental money final settlement certificates. The holders of the money were given the right to use it at par with specie in all taxes, except the ten shilling tax and duties appropriated to Congress.[28] Finally, in 1789, those who had given bonds for these emissions were allowed, like all the other state debtors, by paying the interest that was due, to pay the principal, with yearly interest in three instalments, the last being due in 1792.[29] Small amounts of paper money were burned every year by the Committee of Claims until 1797, when a resolution was passed directing that after October 1, 1798, interest should cease, and that the treasurer of the Western Shore should redeem all money brought in to him before that time.[30] The time of redemption was frequently extended, and payments continued to be made until 1822, after which no further mention is made of them.[31]

The statement has been sometimes made that Maryland redeemed the paper money of 1780 and 1781 at par, but this

[27] Ibid., November, 1785, chap. lxxxiv.
[28] Resolution, April session, 1787, appended to Session Laws.
[29] Session Laws, November, 1789, chap. xlvii.
[30] Resolution, November session, 1797.
[31] House of Delegates Votes and Proceedings, December 11, 1822, p. 18.

is not exactly true. The red money that was in circulation at the time of redemption was paid for at its face value. So was the black and Continental State money that came in in pursuance of the resolution of 1797. Some also was accepted at its face value for taxes, but there were great numbers of bills of all three emissions that were taken for taxes and confiscated property at their current rate, and withheld from circulation, and these were not, of course, redeemed at par. Nevertheless this paper money was a decided improvement over the earlier issues of the war. The amount issued was not excessive, and though it was not supported by any legal tender laws, it did not depreciate to the same extent. The State made an earnest effort to provide adequate funds for its redemption, and the failure to do so in the case of Continental State and black money was due to the nature of the security given. As compared with other States, Maryland ranks among the first for honorably discharging her obligations.

CHAPTER VIII

The Last Struggle for Paper Money

During the first years of peace and independence, a spirit of extravagance and love of luxury was prevalent throughout the United States and among all classes of the people. Paper money and certificates of indebtedness, both State and Continental, were plentiful for use at home, and the British merchants, anxious to find a market for their manufactures which had been accumulating during the war, extended large credits for purchases abroad. The European goods, of which the people had been deprived for about ten years, were eagerly bought without a thought of where the money to pay for them was to be obtained. Imports grew large and business was brisk. But this apparent prosperity could not last long. Soon the British creditors began to demand the payment of debts which had been incurred both before and since the war. In the fall of 1784, at what was later termed the black session, the Maryland General Assembly passed the Consolidating Act which provided for the liquidation of all debts due the State in six years, and compelled the payment of interest annually in specie. This caused the tax collectors, who had been inclined to be lenient with the people, to call for arrears. Taxes for the payment of the state debt and for the appropriation of Congress were very heavy compared to those borne by the people before the war. Moreover the currency of the State was being gradually deflated by the withdrawal both of bills of credit and of certificates. What specie there was in circulation was used to pay the requisitions to Congress or sent abroad for the discharge of debts. Those who had possession of it were unwilling either to use it themselves or to lend it for fear of another emission of paper money supported by a legal tender law.

The distress occasioned by this readjustment was most

keenly felt from the middle of 1786 to the middle of 1788. In 1786 bonds for confiscated property pledged to redeem the paper money of 1780 became due, and payment had to be deferred on account of the scarcity of money. A good deal of land was offered for sale but would not bring a fair price for the same reason, and land that had to be sold for debt was almost given away. No money could be borrowed except with interest from twenty-five to thirty per cent,[1] and prudent men, like Charles Carroll of Carrollton, considered it unsafe to lend at all.[2] The columns of the newspapers were filled with notices of insolvency. The court of Charles County was forced by a turbulent multitude to suspend all civil suits, and in Harford County the inhabitants would not allow any one to bid for land that was offered by the sheriff for sale.[3] Conditions similar to this were prevalent all over the country. In Massachusetts they led to Shay's Rebellion, in Rhode Island to the formation of a definite paper money or debtor party which carried the State in an election, floated a large emission of bills of credit, and passed laws which practically made possible the robbery of creditors.

In response to the demand for relief for debtors and for more money, the House of Delegates resolved in the November session, 1785, that, owing to the scarcity of specie, an emission of bills of credit was necessary and proper, and passed a bill for the emission of paper money on loan on the security of double its value in land.[4] This bill, however, was rejected by the Senate.[5] Its failure was a great disappointment to many persons all over the State. At the general court held on the Western Shore, some of the inhabitants drew up an address or petition to the governor and council which set forth the distress of the people on account of heavy

[1] Maryland Gazette or Baltimore Advertiser, November 21, 1786, vol. iv, No. 236, "Cato."
[2] Maryland Journal, March 16, 1787, vol. xiv, No. 22, Charles Carroll.
[3] Ibid., June 27, 1786, vol. xiii, No. 51, "A Marylander."
[4] House of Delegates Votes and Proceedings, December 3, 1785, pp. 31–32.
[5] Ibid., December 27, 1785, p. 66.

taxes, large debts, and the scarcity of specie, and requested that they call a special session of the assembly and present to it the desire of the people for an emission of paper money which the delegates already favored and which it was hoped the Senate would no longer oppose.[6] This paper was printed and circulated in every county for signatures.

The most intense interest was manifested in the subject by the three newspapers in the State. Soon after the assembly adjourned in March, Hayes's Maryland Gazette or Baltimore Advertiser began copying in instalments "A Dissertation on Government, the Affairs of the Bank, and Paper Money," which is interesting because it brings out the point that paper money is of no greater value than the promise to redeem it, and recommends the issue of bank notes instead because they are payable on demand.[7] The same paper also copies an article by an American which advises the people to "coin" their lands, that is, establish a loan office.[8] Discussion of the question by local writers was begun in June, when three articles by "A Marylander" appeared in the Maryland Journal.[9] After asking that arguments both for and against paper money be given in order that the people who are being urged to sign a petition for it may be well informed, he says that an emission of bills of credit properly funded so that they would not depreciate, and not supported by a tender law, would relieve the distress of the time. Many people who agreed with him feared to sign the petition lest it might discredit the old Senate and cause electors to be chosen in the fall who would put in interested men. It is reported that a coalition is being formed by debtors, and certainly the people are restless and ready for anything. All they need is a leader. Those who wish to control them must control their feelings. But there are two stumbling blocks to an emission

[6] Maryland Journal, July 4, 1786, vol. xiii, No. 53, "Money! Money! Money!"

[7] Maryland Gazette or Baltimore Advertiser, May 2, 1786, vol. iii, No. 99.

[8] Ibid., May 19, 1786, vol. iii, No. 104.

[9] Maryland Journal, June 23, 27, 30, 1786, vol. xiii, Nos. 50–52.

of paper money, that is, the lack of confidence in a pledge of redemption, and the provision of the consolidating act for the payment of interest in specie. This last difficulty might be overcome, however, if the creditors of the State could be induced from motives of patriotism to accept paper instead.

Many other articles followed, most of them being printed in the two Baltimore papers. Some were anonymous, others bore such signatures as "A Citizen of Maryland," "A Farmer," "A Renting Planter," "A Mechanic," "An Old Soldier," "Aequitas," "Sidney," and "Cato." About twenty out of thirty of these are in favor of an emission. They assert that it will raise the value of land, enable debtors to discharge their obligation, encourage manufactures and agriculture by giving easy money, make possible the building of roads, and, though it may drive specie out of circulation, it will thereby promote trade and industry because the people will have to export goods to pay for those they import. Three plans for putting the money into circulation were advocated. It was suggested by some that it be used to buy State certificates, and be redeemed by a tax on personal property. Others wanted to use it to build roads, and let the tolls provide for sinking it. Still a third group favored the establishment of a loan office, in which case the principal and interest, it was said, would more than redeem the money, leaving a large balance to the credit of the State. The opponents of the emission insisted that it was dangerous because there was no limit to the amount that could be emitted, that it would surely depreciate and cause great suffering, that it would discourage manufacturers because it would raise the price of labor, and that it would drive out all specie, leaving the State when the time came to redeem it in the same position in which it was now. If issued on loan it would increase the number of those indebted to the State, which would endanger the stability of the Government.

The question was one of the issues in the elections for Senators and Delegates. A citizen, James Carroll, advised the people not to vote for the delegate, Samuel Chase, as an

elector to choose the Senate, giving as one of his reasons that Chase was in favor of paper money and would not vote for any one for Senator who disagreed with him.[10] Other writers urged that electors and delegates who favored paper money should be chosen. Some persons, however, counseled the choice of electors of good character who would vote for the best men in the State regardless of their views on a particular question. The delegates must have considered the opinion of the majority of the people favorable to paper money, for at the next session of the assembly, which was held in the fall of 1786, they passed a bill for issuing £350,000.[11] One hundred thousand pounds was to be lent by the treasurer of the Western Shore in a certain proportion to the inhabitants of the different counties, or after thirty days, to any one in the State. Six months after he was to lend fifty thousand pounds in the same way, three months later another fifty thousand pounds, and at the end of a like period another, but not over two hundred thousand pounds was to be in circulation at once, unless the governor and council were assured that it would not depreciate. No loan was to exceed five hundred or to be less than fifty pounds. The interest was to be six per cent, and the payment of it was to be compelled soon after it became due. The obligor must have land equal to double the value of the money borrowed, and free from all encumbrances except dower. At least one-twentieth of the principal must be paid in every year, and this, together with one half the interest, was to be placed in a sinking fund. If paid in gold and silver it was to be exchanged for bills of credit. The rest of the interest was to be lent again. The bills were not to be legal tender, but were to be accepted for all public dues except the five per cent impost granted by Congress, and were to be used to pay the salaries of civil officers. They were to be sunk at the end of ten years.[12]

Hollingsworth, a delegate from Baltimore, had tried to have the bill amended so that no addition could be made to

[10] Maryland Gazette, August 17, 1786, vol. xli, No. 2066.
[11] House of Delegates Votes and Proceedings, December 27, 1786.
[12] Maryland Journal, January 19, 1787, vol. xiv, No. 6.

the circulation unless the bills of credit were at par, but this had failed.[13] The Senate rejected the measure, sending down with it a very interesting message which states almost all the objections raised by modern economists to paper money.[14] The proposed bills, says the message, will certainly depreciate because of the unavoidable distinction made between State and Continental taxes, the lack of confidence in their redemption, the long term of their circulation, especially when the credit of the government is so low, and the limited use to which they may legally be put. If they do depreciate, they will make hard money which must be used for some payments more difficult to get, raise prices, thus increasing the cost of living, and preventing the export of produce, lower the salaries of the public officers, and decrease the value of the taxes, making additional levies necessary. They will continually fluctuate, causing extravagance in circulation. Finally, a paper currency will drive commerce to other States and a pledge of the government to collect no specie would amount in this crisis of affairs to a dissolution of the State's connection with the Union unless, to prevent it, faith would be broken with the holders of the bills. Nevertheless the Senate added:

> If any funds can be provided to give value to a State paper to be exchanged for the liquidated paper of Congress at a reasonable rate, the exchange to be voluntary with the holders of the Continental paper, and the State paper made receivable for the funds pledged, but not to affect public engagements, private dealings, or the other revenue of the State, we would agree to it.[15]

Such a plan was proposed in the House of Delegates by Thomas Johnson, one of the members from Frederick County, who was strongly opposed to the plan formerly adopted.[16] He suggested that only a hundred thousand pounds be struck, to be used for this purpose, and that the bills be redeemed by a ten shilling tax on every hundred pounds of property

[13] Maryland Gazette or Baltimore Advertiser, January 9, 1787, vol. iv, No. 243.

[14] House of Delegates Votes and Proceedings, January 5, 1787, pp. 55–60.

[15] Ibid., January 5, 1787, p. 60.

[16] Ibid., January 13, 1787, pp. 77–78.

for four years. The House of Delegates, however, did not act on this plan. Another bill, which provided for the relief of debtors, had been rejected by the Senate, and the House, irritated by the loss of its two pet measures, drew up an address to the people in which it maintained that paper was necessary to pay taxes and debts, that even if it depreciated it could do no harm, and that its plan would make a large profit to the State. After describing the bill, the House appealed to the people for an expression of opinion to both branches of the legislature.[17] The Senate protested against this action as contrary to the eleventh article of the Constitution which gave the Senate full liberty to exercise their judgment in all matters of legislation, and declared that the time for consulting the people was too short to allow a fair canvass of the State by the Senate, whereas the Delegates had the advantage of numbers.[18] After the assembly adjourned the Senators met at Mann's Tavern to decide upon a plan of campaign, and drew up the following declaration which they signed and circulated throughout the State:

> We the subscribers, attached to the present form of government, and esteeming it proper and necessary to preserve every part of it, are of opinion that each branch of the legislature ought to be free and have full liberty to exercise their judgment upon all public measures proposed by one to the other.[19]

On February 13 and March 2 two extracts[20] of letters purporting to be from Annapolis, but attributed by James Carroll to Samuel Chase[21] and tacitly acknowledged by him, were published in the Maryland Journal. They accuse the Senators of drawing up this paper for the purpose of entrapping the people into a declaration that the Senate was independent of all control, of practicing every kind of deceit to prevent the paper bill being approved, and of intending to overthrow the government. The last attacked Charles Carroll of Carrollton for selfishly opposing the bill because he

[17] Ibid., January 16, 1787, pp. 85–92.
[18] Ibid., January 20, 1787, pp. 100–102.
[19] Maryland Journal, April 6, 1787, vol. xiv, No. 28, T. Stone.
[20] Ibid., February 13, March 2, 1787, vol xiv, Nos. 13 and 18.
[21] Ibid., March 6, 1787, vol. xiv, No. 19.

did not want to lose his enormous interest or have his loans repaid in paper, and for lending the Senators who were of his opinion all the money they needed. It said that he would soon have enough money to endanger the government. Under his own name Chase wrote an article setting forth the doctrine that the people had a right to instruct the Senate, which started a long discussion and diverted the attention to some extent from the paper money and debtor bill.

The three issues were discussed at meetings everywhere. At Frederick the people, after listening to speeches by Johnson and Potts against paper and the debtor bill, declared themselves opposed to an emission, asked for a different debtor law, and approved the conduct of the Senate.[22] In Somerset County a good many people were won over to the Senate's point of view by the reading of a pamphlet by one of its ablest exponents, "Aristides," or Alexander Contee Hanson.[23] At an assembly in Washington County the people were reported to be ten to one against paper.[24] In Queen Anne County meetings were held in seven different places by the delegates, and the people were almost all for the paper and debtor bills, and for instructing the Senate.[25] On Elk Ridge, in Anne Arundel County, the same sentiment prevailed,[26] but in Annapolis the people signed instructions drawn up by Alexander Contee Hanson upholding the Senate in everything, and declaring that even if they disapproved, they would have no right to interfere with its deliberations.[27] Somewhat similar instructions were circulated in Montgomery County, and reported to be widely approved.[28] Another form of instruction was submitted to the people which declared that the signers were not absolutely opposed to paper money, but were against the plan adopted by the House of

[22] Ibid., February 20, 1787, vol. xiv, No. 15.
[23] Ibid., April 10, 1787, vol. xiv, No. 29.
[24] Ibid., March 30, 1787, vol. xiv, No. 26.
[25] Maryland Gazette or Baltimore Advertiser, March 22, 1787, vol. xlii, No. 2097.
[26] Ibid., March 15, 1787, vol. xlii, No. 2096.
[27] Maryland Journal, February 9, 1787, vol. xiv, No. 12.
[28] Ibid., February 9, 1787, vol. xiv, No. 12.

Delegates,[29] and a fourth that was for paper money on loan, the proposed bill for the relief of debtors, and the authority of the people to instruct the Senate.[30]

One thing which probably had a great deal of influence with the people was the declarations of the grand juries of Montgomery, Talbot and St. Mary's Counties, and of the Eastern Shore, which were published in the papers, that they were opposed to paper money and the debtor bill and heartily endorsed the views of the Senate.[31] At any rate, when the assembly met no paper money bill was introduced. An article in Hayes's paper sums up the situation pretty accurately when it says that the loan bill will not be brought in because the majority of the people disapprove of it, and that probably no other can be agreed upon, although an emission on some plan would be acceptable to the greater part of the citizens.[32] The experience with the emissions of 1780 and 1781 which were based on land security had taught most of the people a lesson by which they now profited. Early in this session, however, and before this matter was settled, the assembly appointed members to the Federal Convention which was to meet at Philadelphia in May. Among those who refused to serve were Charles Carroll of Carrollton, Thomas Johnson, Thomas Sim Lee, Thomas Stone, Governor Smallwood, Samuel Chase, and William Paca, the most prominent men in the State, all of whom had taken an active part in the paper money fight. No reason is given for their refusal, but it is probable, as has been before suggested, that they feared the assembly would still be in session, and that this important question in the State prevented the best statesmen of Maryland from attending what was to be the epoch-making convention in the history of the United States. Some of the bitterness of the paper money controversy was carried into

[29] Ibid., February 13, 1787, vol. xiv, No. 13.
[30] Ibid., February 13, 1787, vol. xiv, No. 13.
[31] Ibid., March 20, April 24, 1787, vol. xiv, Nos. 23 and 33; Maryland Gazette and Baltimore Advertiser, March 29, 1787, vol. xlii, No 2098; April 26, 1787, No. 2102.
[32] Maryland Gazette or Baltimore Advertiser, April 24, 1787, vol iv, No. 266.

the contest for the adoption of the Constitution. In three different articles[33] its friends urged the people not to elect those who favored paper money and the debtor bill to the ratifying convention, because they did not want an orderly government, but a chaotic one where they would be free to speculate. The convention when elected proved to be overwhelmingly in favor of the Constitution, ratifying it by a vote of sixty-three to eleven. With its adoption, Maryland's adventures in paper currency came to an end.

[33] Maryland Journal, March 14, 1788, vol. xv, No. 22, Hampden; February 1, 1788, vol. xv, No. 10, Cives; March 21, 1788, vol. xv, No. 24.

CHAPTER IX

The Bank Stock Controversy

The history of paper money in Maryland would be incomplete without an account of the recovery of the stock of the Bank of England. This stock, it will be remembered, constituted the entire sinking fund for the redemption of the provincial bills of credit of 1766, and part of the fund for those of 1769 and 1773. It was held in trust for the Province by Osgood Hanbury, Sylvanus Grove, and James Russell, who had been appointed by the paper money act of 1769. When the Revolutionary War broke out these trustees had, according to an account dated July 24, 1775, £29,000 of capital stock and cash uninvested to the amount of £478 3s.[1] In 1779 the act for redeeming the bills of credit of 1766 ordered the commissioners to draw bills of exchange on the trustees, and provided for the appointment of a new one to receive and sell the bank stock in case they should refuse to act.[2] The trustees refused to honor the bills of exchange drawn in accordance with this act, and declined to transfer the stock to the new commissioner of the State. At the June session, 1780, the assembly authorized the Treasurer of the Western Shore to draw bills of exchange on the trustees for £30,000 and sell them if possible, and gave the buyers the right to recover the amount of the bills with fifteen per cent for damages from the sale of the property of the trustees in the State if they should protest them. If the bills were not sold there was to be an issue of bills of credit for the redemption of which the bank stock, or if it could not be recovered, the property of the trustees, or any other British subjects, was pledged. If, however, the trustees transferred the bank stock to the State, their property to the value of this stock was to

[1] Session Laws, April, 1783, cap. 35.
[2] Ibid., November, 1779, cap. 38.

be forever exempt from confiscation.[3] No bills of exchange were sold, and the bills of credit were therefore issued. The act for the confiscation of British property assigned as one of the reasons for the step the refusal of the trustees to pay the bills of exchange drawn in 1779 from the proceeds of the bank stock belonging to the State, and declared that the Nottingham iron works, the property of James Russell and others, should be sold to redeem the bills of credit issued in June session.[4]

In 1783, in anticipation that peace would soon be concluded between England and the United States, the assembly of Maryland passed an act for the appointment by the governor and council of an agent to recover and dispose of the bank stock which was held by Hanbury, Grove and Russell. For his services this agent was to receive a commission of not over four per cent.[5] The governor selected Samuel Chase to fill this office, and he went over to England to make personal application to the old trustees for the transfer of the stock. This he found them unwilling to do, for Hanbury had lost a mortgage on the estate of Walter Dulany, and Russell and his partners the valuable Nottingham iron works by the act of 1781 which confiscated the property of British subjects in Maryland. During the winter of 1783–1784 Hanbury died, and Grove, who had no claims upon the stock, was prevailed upon to give his promise to transfer it whenever Russell could be induced to do so. Russell, however, insisted upon the return of his Maryland property or adequate compensation for it. He obtained from the Court of Chancery an injunction to prevent the transfer of the stock to the State of Maryland and put in a bill claiming compensation for his losses. His partners in the Nottingham Company, the Ewers and Buchanan, also claimed compensation. These claims were filed on the ground that this property had been taken from the owners on account of the action of Russell

[3] Ibid., June, 1780, cap. 24.
[4] Ibid., October, 1780, cap. 45.
[5] Ibid., April, 1783, cap. 35.

as trustee in protesting the bills of exchange drawn by order of the general assembly of Maryland in 1779.

Throughout the controversy Chase maintained that the property had been taken because it belonged to British subjects, and that the protesting of the bills of exchange and the refusal of the trustees to give up the bank stock had nothing to do with the matter.[6] The Lord Chancellor ordered that all the stock should be given into the custody of the Accountant General of the Court of Chancery to be held subject to the order of the Court. Chase applied to the assembly of Maryland for instructions as to how he should act, and that body passed a law giving him authority to submit the claim of the State to the Court of Chancery of Great Britain with appeal to the House of Lords.[7] In the conduct of the suit he was to be directed by the governor and council. Two other claims were filed against the State, one by Hanbury's executors for the mortgage, and the other by Henry Harford, the last Lord Proprietor, who had lost not only his property but his quit-rents and other dues besides, and who claimed the stock as a forfeiture. One or two loyalists also tried to establish claims on the ground that their property had been confiscated, but these were of no importance because the British Government had undertaken to compensate such persons.

Two Chancellors, Lords Thurlowe and Loughborough, decided that the subject of the stock was one for negotiation rather than for the courts to decide, and that the Court of Chancery had no jurisdiction. The aid of the United States was therefore solicited, and the matter was taken up by Jay both before the adoption of the Constitution in 1789 and while he was negotiating the treaty of 1794. The relations between the Federal Government and that of Great Britain were, however, not particularly cordial at this time, so that Maryland felt that her claims would be better entrusted to the courts of England. Hanbury's executors, who had been

[6] Blue Series II; Papers Relative to the Maryland Stock in the Bank of England, No. 30.

[7] Session Laws, November, 1784, cap. 76.

assigned £11,440 of stock by the State in 1787,[8] accordingly petitioned for another hearing of the case, before a new Chancellor, and applied for a transfer of their stock. This brought up the question of the ownership of the stock again, for if it belonged to Maryland then the claim of Hanbury's executors was valid, but if it did not, then the State could not dispose of any of it. The court decided that the State of Maryland was not the same corporation as was the old government, that the latter had ceased to exist, that the present government was not its successor, and that the stock belonged to the crown as bona vacantia. After this decision there was no course open to the State but negotiation. This was undertaken by William Pinkney, a citizen of Maryland, who was then in England, and by Rufus King, the United States minister to the Court of St. James. In their conversations with the British ministers they laid a great emphasis on the fact that while the stock legally belonged to the crown, yet, as it had been bought with money collected from the people of Maryland by means of taxes, it was but just that they should receive it.

Finally, King was able to obtain a promise that as a means of promoting good feeling between England and the United States the king would order the transfer of the stock to the State.[9] To obtain the stock for this purpose, the attorney general, in the name of the king, made a motion in the court for the transfer to the crown. The motion was opposed by Harford, who claimed that the stock was forfeited to him as Lord Proprietor, and by the solicitors of Chase, who did not know of the arrangements with the British government. They readily withdrew their objections when they received an explanation from King. It was very important that there should be no opposition to the motion, because this would cause a delay of years and the filing of an information at the suit of the crown which would call all parties to previous suits before the court, after which an appeal lay to the House of

[8] Ibid., 1786, cap. 50; Blue Series II, No. 137.
[9] Blue Series II, Nos. 115, 137.

Lords. Harford offered to give his consent to the transfer if Maryland would agree, in case she should receive the stock, to give him £10,000 capital. The Council which had been given the direction of all matters pertaining to the suit authorized Pinkney to pay him £10,000 sterling, apparently through a misunderstanding.[10] This sum Harford absolutely refused to accept. Pinkney therefore arranged that the executors of Hanbury, who were also interested in the transfer of the stock, should contribute something to the fund, and overstepped his authority to the extent of agreeing that Maryland should give an additional £1,000.[11] On December 16, 1803, the attorney general again made the motion for the transfer, and this time all parties before the court gave their consent. Accordingly the Lord Chancellor ordered the stock to be given to the nominee of the crown after the costs, which amounted to £3,487 7s. 6d., had been paid.[12] Before the transfer was actually accomplished, however, the king became insane and a regent had to be appointed. This not only made a change in the ministry, but it forced King and Pinkney, for the sake of propriety, to drop the subject for a time.

When it was resumed it had to be again discussed in great detail with the new ministry. To add to the complications, King, who was thoroughly familiar with the whole matter, was replaced by Monroe, who knew nothing about it and could do little more than second Pinkney's efforts. A new obstacle was now put in the way of immediate transfer by an application made by the holders of bills of credit of the old government of Maryland to have them redeemed by the British government out of the stock. Pinkney asserted that many of these bills had been bought up after they had depreciated for the purpose of speculation, and after much time had been consumed in the discussion of this question, the British government finally consented to transfer the stock upon Pinkney's giving his personal assurance that the legis-

[10] Ibid., No. 108.
[11] Ibid., No. 99.
[12] Ibid., Nos. 99, 109.

lature of Maryland would pay due regard to the claims of the holders of the paper money who had not bought them as a speculation.[13] The stock was finally given to Maryland on August 15, 1804, just as Pinkney, who had long desired to return home, and who had been waiting to complete the business, had given up hope of an early settlement and made preparations to sail.

By a resolution passed in 1806 the legislature of Maryland provided for the payment of the bills of exchange and the certificates issued to redeem the bills of credit of 1766 with interest, but no provision was ever made for redeeming bills of credit that were still in the hands of British subjects. The possession of the bank stock did not end Maryland's difficulties. As the State did not wish to hold this stock, but desired to invest the money otherwise, Joseph Nicholson was appointed agent to dispose of the stock. His problem was to sell such a large amount of stock[14] without bringing down the price so much that he would lose a large amount of money for the State, and also to find some means of getting the money to America. It was finally decided to invest most of it in various kinds of stock of the United States, and as all, or almost all, of this which was held in England was either owned or controlled by the great banking firm of Sir Francis Baring and Company, an arrangement was made by which they took all the English stock belonging to the State, and gave in exchange stock of the United States and some bills of exchange. The terms offered by the Barings were considered by Monroe and Nicholson to be very advantageous, and the only condition imposed was that the negotiation should be kept secret in order that it might not affect the stock market. In what appears to be a final report, Nicholson states that he received from the sale of the stock $648,484.34.[15]

[13] Ibid., Nos. 106–107.

[14] The amount to be invested was: stock of the Bank of England £67, 421 1d.; Navy five per cent £5,474 1s. 8d.; five per cent annuities of 1797, £6,524 16s. 1d.; cash £1,243 7s. 5d. Blue Series II, No. 146.

[15] Blue Series II, No. 150.

Thus ended the controversy over the bank stock which had been prolonged for over twenty years with a balance of about $650,000 to the credit of the State. When one considers the treatment accorded to the loyalists in the United States and the confiscation act of Maryland, together with the somewhat strained relations that existed during this entire period between Great Britain and the United States, it is somewhat surprising that the former should have displayed so much magnanimity in this matter.

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